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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

- (1) SUPPLEMENTAL AGREEMENT TO THE COATING SERVICES AND
HARDBANDING SERVICES AGREEMENT;
(2) RENEWAL OF THE WELDING WIRE SUPPLY AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

Reference is made to the announcement of the Company dated 22 December 2023 in relation to the Coating Services and Hardbanding Services Agreement and the Welding Wire Supply Agreement, the respective transactions contemplated thereunder and the annual caps related thereto. Given that the Coating Services and Hardbanding Services Agreement has expired on 31 January 2024 and the Welding Wire Supply Agreement has expired on 31 December 2023, the Group and the relevant counterparties entered into the following agreements:

- (1) the 2024 Supplemental Coating Services and Hardbanding Services Agreement to extend the term of the Coating Services and Hardbanding Services Agreement until 31 December 2024 and to revise the existing annual cap for the period from 1 January 2024 to 31 January 2024 to cover the financial year ending 31 December 2024. Hilong Pipeline Group shall provide Hilong Energy Group with coating services and hardbanding services as and when requested by Hilong Energy Group during the term of the agreement; and
- (2) the 2024 Welding Wire Supply Agreement to renew for a one year term from 1 January 2024 to 31 December 2024. Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group during the term of the agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Hilong Energy is an indirect wholly-owned subsidiary of the Company, and Hilong Pipeline is a wholly-owned subsidiary of Hilong Shine New Material. Hilong Shine New Material is held as to approximately 52.57% by 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 is an associate of Mr. Zhang and thus a connected person of the Company. Therefore, the transactions under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The existing annual cap of the transactions under the Coating Services and Hardbanding Services is adjusted to cover the financial year ending 31 December 2024. Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the existing annual cap, the Company will have to re-comply with provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

Given (i) the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and (ii) the 2024 Welding Wire Supply Agreement are entered into within a 12-month period with the same connected person and are of a similar nature, the Company has aggregated the transactions contemplated under such agreements for the purpose of considering the Company's compliance obligations pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. The proposed revised annual cap for the transactions contemplated under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement is RMB278,000,000 and the proposed annual cap under the 2024 Welding Wire Supply Agreement is RMB19,060,000. Therefore, the aggregate proposed annual caps in relation to the transactions under such agreements for the financial year ending 31 December 2024 is RMB297,060,000. As the highest applicable percentage ratio of the aggregate proposed annual caps exceed 5%, each of the above transactions is subject to, among other things, the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene an EGM to approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders in respect of the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the 2024 Hilong Energy CCT Agreements (including the respective transactions contemplated thereunder and the proposed annual caps related thereto); (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 19 March 2024.

INTRODUCTION

Reference is made to the announcement of the Company dated 22 December 2023 in relation to the Coating Services and Hardbanding Services Agreement and the Welding Wire Supply Agreement, the respective transactions contemplated thereunder and the annual caps related thereto. Given that the Coating Services and Hardbanding Services Agreement has expired on 31 January 2024, and the Welding Wire Supply Agreement has expired on 31 December 2023, the Group and the relevant counterparties entered into the following agreements:

- (1) the 2024 Supplemental Coating Services and Hardbanding Services Agreement to extend the term of the Coating Services and Hardbanding Services Agreement until 31 December 2024 and to revise the existing annual cap for the period from 1 January 2024 to 31 January 2024 to cover the financial year ending 31 December 2024. Hilong Pipeline Group shall provide Hilong Energy Group with coating services and hardbanding services as and when requested by Hilong Energy Group during the term of the agreement; and
- (2) the 2024 Welding Wire Supply Agreement to renew for a one year term from 1 January 2024 to 31 December 2024. Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group during the term of the agreement.

CONTINUING CONNECTED TRANSACTIONS

(A) THE COATING SERVICES AND HARDBANDING SERVICES AGREEMENT AND THE 2024 SUPPLEMENTAL COATING SERVICES AND HARDBANDING SERVICES AGREEMENT

- Background:** Given that the Coating Services and Hardbanding Services Agreement has expired on 31 January 2024, Hilong Energy entered into the 2024 Supplemental Coating Services and Hardbanding Services Agreement with Hilong Pipeline to extend the term of the agreement until 31 December 2024 and to revise the existing annual cap for the period from 1 January 2024 to 31 January 2024 to cover the financial year ending 31 December 2024. The principal terms of the 2024 Supplemental Coating Services and Hardbanding Services Agreement are set out below:
- Date:** 27 February 2024
- Parties:**
- i. Hilong Energy; and
 - ii. Hilong Pipeline
- Subject:** Hilong Pipeline Group shall provide Hilong Energy Group with coating services and hardbanding services as and when requested by Hilong Energy Group during the term of the agreement.
- Term:** The 2024 Supplemental Coating Services and Hardbanding Services Agreement will commence on the Effective Date and end on 31 December 2024, subject to renewal upon mutual agreement of both parties and compliance with the Listing Rules.
- Pricing policy:** Prices are determined after arm's length negotiations between the parties with references to prevailing market prices within the industry and considering regional price differences, with reference to:
- i. Coating services pricing policy
 - a. PRC Market: the reference prices formulated by China National Petroleum Corporation (CNPC) and China Petroleum & Chemical Corporation (Sinopec Corp.) for similar types, specifications, techniques, and standards on an annual basis. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the above reference prices.

- b. Overseas Market: (i) the prevailing market prices based on comparing quotations obtained from other Independent Third Parties for similar types, specifications, techniques, and standards of services; and (ii) costs to be incurred by Hilong Pipeline Group for coating services with a reasonable profit margin in the range of 40% to 50%. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period; while the actual profit margin will be based on the specifications, techniques and standards of drill-pipes. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the prevailing market prices.
- ii. Hardbanding services pricing policy
 - (a) The prevailing market prices are based on comparing quotations obtained from other Independent Third Party suppliers in the market for similar types, specifications, techniques, and standards of services; and
 - (b) costs to be incurred by Hilong Pipeline Group for hardbanding services with a reasonable profit margin in the range of 30% to 40%. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period; while the actual profit margin will be determined with reference to the specifications, techniques and standards of drill-pipes. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the prevailing market prices.

In any event, the prices and conditions (including payment and settlement terms) for coating services and hardbanding services offered by Hilong Pipeline Group shall be no less favorable to Hilong Energy Group than any of those available from Independent Third Parties.

Historical transaction amounts and the annual cap:

The historical transaction amounts in relation to the coating services and hardbanding services provided by Hilong Pipeline Group to Hilong Energy Group, the existing annual cap and the actual amount for the period from 1 January 2024 to 31 January 2024 are set out in the table below:

Historical transaction amount for the financial year ended 31 December 2021	Historical transaction amount for the financial year ended 31 December 2022	Historical transaction amount for the financial year ended 31 December 2023	Annual cap for the period from 1 January 2024 to 31 January 2024	Actual transaction amount for the period from 1 January 2024 to 31 January 2024
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
134,643	230,124	313,993	19,000	17,886

The existing annual cap for the transaction amounts to be paid by Hilong Energy Group to Hilong Pipeline Group for the period from 1 January 2024 to 31 January 2024 is revised to cover the financial year ending 31 December 2024 under the 2024 Supplemental Coating Services and Hardbanding Services Agreement as set out below:

Annual cap for the period from 1 January 2024 to 31 January 2024	Revised annual cap for the financial year ending 31 December 2024
<i>RMB'000</i>	<i>RMB'000</i>
19,000	278,000

Basis for the proposed revised annual cap:

The proposed revised annual cap in respect of the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement is determined with reference to (i) historical transaction amount; (ii) the actual transaction amount for the period from 1 January 2024 to 31 January 2024; (iii) the anticipated demand for coating services and hardbanding services required by Hilong Energy based on drill-pipe production plans of the Group for the financial year ending 31 December 2024 and the strategic drill-pipe projects with key clients of the Group; (iv) the increased opportunities in drill-pipe related business arose from the consumption recovery of oil and gas products and the upstream exploration and production activities due to the end of COVID-19 restrictions; and (v) the implementation of the “2023-2025 Action Plan for Accelerating the integration of Oil and Gas Exploration and Development with New Energy” (加快油氣勘探開發與新能源融合發展行動方案(2023-2025)年) which was launched and promoted by the National Energy Administration (國家能源局).

Condition precedent: The 2024 Supplemental Coating Services and Hardbanding Services Agreement is conditional upon the Independent Shareholders approving the 2024 Supplemental Coating Services and Hardbanding Services Agreement, the transactions contemplated thereunder and the proposed revised annual cap related thereto at the EGM.

Payment and settlement terms: Hilong Energy Group shall pay Hilong Pipeline Group within 90 days from the date of invoice.

Reasons for entering into the 2024 Supplemental Coating Services and Hardbanding Services Agreement

The Group requires coating services and hardbanding services for drill pipes production and sales during its ordinary and usual course of business. The Group needs to collaborate with a qualified coating services supplier when participating in the bidding process for the sale of drill pipes.

The Company considers that Hilong Pipeline Group is specialized and experienced in coating services through years of cooperation between the Group and Hilong Pipeline Group. Hilong Pipeline is one of the recognized suppliers by market leaders such as CNPC, Sinopec Corp., ADNOC Drilling company PJSC (ADNOC) and Ensign. In terms of the global market, certain drill pipe clients also designate Hilong Pipeline as the coating services provider for its capability to provide high-performance coatings under extremely harsh exploration conditions. Drill pipe clients which have a long-standing relationship with the Company such as PetroChina Company Limited (中國石油天然氣股份有限公司), Sinopec Corp., ADNOC also recognized Hilong Pipeline as an approved coating services supplier.

Furthermore, since both parties are familiar with each other's background, communication between parties would be faster and easier, risks and costs for transaction will also be reduced. Hilong Pipeline Group is also familiar with the business needs, quality standards and operation requirements of the Group. Moreover, since the Group's drill-pipe production facility and Hilong Pipeline's coating manufacturing plant are located close to each other, cooperating with Hilong Pipeline will save the Group considerable transportation costs. As set out in the section headed "Internal Control Measures" in this announcement, service providers of coating services and hardbanding services will be selected and determined by comparing quotations obtained from Hilong Pipeline and Independent Third Party providers. The entering into of the 2024 Supplemental Coating Services and Hardbanding Services Agreement could provide flexibility to the Group in securing reliable coating services and hardbanding services in 2024.

Therefore, Hilong Energy and Hilong Pipeline decided to enter into the 2024 Supplemental Coating Services and Hardbanding Services Agreement to extend the term of the agreement until 31 December 2024 to meet the Group's business needs in 2024 and to revise the existing annual cap to cover the financial year ending 31 December 2024.

The terms of the 2024 Supplemental Coating Services and Hardbanding Services Agreement were reached after arm's length negotiation between Hilong Energy and Hilong Pipeline. Taking into consideration (i) the entering into of the 2024 Supplemental Coating Services and Hardbanding Services Agreement is in the ordinary and usual course of business of the Group; (ii) the 2024 Supplemental Coating Services and Hardbanding Services Agreement is non-exclusive in nature; and (iii) Hilong Energy Group will only procure coating services and hardbanding services from Hilong Pipeline Group when the price offered by Hilong Pipeline Group is no less favorable to the Group as compared to other quotations received from Independent Third Parties, the Board (excluding the independent non-executive Directors, whose opinion on the 2024 Supplemental Coating Services and Hardbanding Services Agreement and the transactions contemplated thereunder will be set forth in the circular by reference to the advice from the Independent Financial Adviser in this regard) considers that the 2024 Supplemental Coating Services and Hardbanding Services Agreement, the transactions contemplated thereunder and the proposed revised annual cap related thereto are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

(B) 2024 WELDING WIRE SUPPLY AGREEMENT

- Background:** Given that the Welding Wire Supply Agreement has expired on 31 December 2023, Hilong Energy entered into the 2024 Welding Wire Supply Agreement to renew for a one year term from 1 January 2024 to 31 December 2024. The principal terms of the 2024 Welding Wire Supply Agreement are set out below:
- Date:** 27 February 2024
- Parties:**
- i. Hilong Energy; and
 - ii. Hilong Pipeline
- Subject:** Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group during the term of the agreement.
- Term:** The 2024 Welding Wire Supply Agreement will commence on the Effective Date and end on 31 December 2024, subject to renewal upon mutual agreement of both parties and compliance with the Listing Rules.
- Pricing policy:** Prices are determined after arm's length negotiations between the parties with references (i) to the final price of welding wires and related products sold by Hilong Energy Group to Independent Third Parties in the current financial year and (ii) the costs of the welding wires produced by Hilong Energy Group plus a reasonable profit margin. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period.

In any event, the prices and conditions (including payment and settlement terms) for welding wires offered by Hilong Energy Group to Hilong Pipeline Group shall be no more favorable than those offered by Hilong Energy Group to Independent Third Parties.

Historical transaction amounts and annual cap:

The historical transaction amounts in relation to the supply of welding wires by Hilong Energy Group to Hilong Pipeline Group, the annual cap and the actual transaction amount for the period from 22 December 2023 to 31 December 2023 are set out in the table below:

Historical transaction amount for the financial year ended 31 December 2021 <i>RMB'000</i>	Historical transaction amount for the financial year ended 31 December 2022 <i>RMB'000</i>	Historical transaction amount for the financial year ended 31 December 2023 <i>RMB'000</i>	Annual cap for the period from 22 December 2023 to 31 December 2023 <i>RMB'000</i>	Actual transaction amount for the period from 22 December 2023 to 31 December 2023 <i>RMB'000</i>
5,164	22,717	21,691	1,200	0

Proposed annual cap:

The proposed annual cap for the transaction amounts to be paid by Hilong Pipeline Group to Hilong Energy Group in relation to the supply of welding wires under the 2024 Welding Wire Supply Agreement for the financial year ending 31 December 2024 is RMB19,060,000.

Basis for the proposed annual cap:

The proposed annual cap in respect of the 2024 Welding Wire Supply Agreement is determined with reference to (i) historical transaction amount in relation to the supply of welding wires by Hilong Energy Group to Hilong Pipeline Group; and (ii) Hilong Pipeline Group's demand for welding wires as communicated to the Group based on the existing projects obtained by Hilong Pipeline Group, which accounts for approximately 30% of the proposed annual cap.

Condition precedent:

The 2024 Welding Wire Supply Agreement is conditional upon the Independent Shareholders approving the 2024 Welding Wire Supply Agreement, the transactions contemplated thereunder and the proposed annual caps related thereto at the EGM.

Payment and settlement terms:

Hilong Pipeline Group shall pay Hilong Energy Group within 90 days from the date of invoice.

Reasons for entering into the 2024 Welding Wire Supply Agreement

In the past, Hilong Pipeline Group has constantly procured the welding wires produced by the Hilong Energy Group, which are processed into hardbandings and sold to customers as part of the coating services. With years of stable and long-term relationship between Hilong Energy and Hilong Pipeline, Hilong Energy Group is familiar with the business needs and quality standards of Hilong Pipeline Group while Hilong Pipeline is familiar with Hilong Energy's production capability and qualification for welding wires, which promotes higher work efficiency. As the Group currently focuses its resources on drill-pipe related and oilfield services, it does not intend to expand the operation size and sales force of the Group's welding wire business given it is already a highly competitive market and it is relatively difficult for the Group to promote its welding wire products into international markets. The sales to Hilong Pipeline Group shall provide a stable stream of revenue to the Group, enhancing the Group's profitability and bringing better returns to Shareholders. The Group also hopes to capitalize on Hilong Pipeline's geographical coverage in both domestic and overseas market and to further promote the Group's market presence.

Further, as set out in the section headed "Internal Control Measures" in this announcement, the relevant departments and the CCT IC Committee (to be defined below) will follow the internal control measures such that Hilong Energy will only supply welding wire to Hilong Pipeline when the price and conditions (including payment and settlement terms) offered to Hilong Pipeline are no more favorable than those being offered to Independent Third Party.

Therefore, Hilong Energy and Hilong Pipeline decided to enter into the 2024 Welding Wire Supply Agreement to renew for a one year term from 1 January 2024 to 31 December 2024.

The terms of the 2024 Welding Wire Supply Agreement were reached after arm's length negotiation between Hilong Energy and Hilong Pipeline. Taking into consideration (i) the entering into of the 2024 Welding Wire Supply Agreement is in the ordinary and usual course of business of the Group; and (ii) the 2024 Welding Wire Supply Agreement is non-exclusive in nature and the Group has other existing welding wires clients who are Independent Third Parties, the Board (excluding the independent non-executive Directors, whose opinion on the 2024 Welding Wire Supply Agreement and the transactions contemplated thereunder will be set forth in the circular by reference to the advice from the Independent Financial Adviser in this regard) considers that the 2024 Welding Wire Supply Agreement, the transactions contemplated thereunder and the proposed annual cap related thereto are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

The Company has established internal control measures to ensure that (i) terms of the 2024 Hilong Energy CCT Agreements are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (ii) the transactions and the pricing policy are conducted in accordance with the terms of the 2024 Hilong Energy CCT Agreements.

The Company has adopted and implemented a management system on connected transactions (“**Management System**”). Under the Management System, an internal control review committee (“**CCT IC Committee**”) is established and comprises the heads of the financial department, the marketing department, the procurement department and the audit department. The CCT IC Committee will report to the Board for all significant matters related to the continuing connected transactions of the Group.

Before entering into the transactions under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement, the relevant staff of the marketing department will obtain at least two quotations from Independent Third Party service providers selected from a list of pre-approved coating services and hardbanding service providers maintained by the Group from time to time (“**Pre-approved Supplier List**”). The criteria of the Pre-approved Supplier List include, among others, production capabilities and quality, qualifications, reputation, experience and location. The Pre-approved Supplier List is then approved by both the heads of the marketing department and procurement department and is subject to review annually. The selection basis of the two Independent Third Party service providers for quotation include their performance in recent completed projects, current service capacity, delivery timeline and competitiveness of pricing terms offered. The quotations together with the relevant supporting documents will then be reviewed by the financial department and then approved by the CCT IC Committee, to ensure that the pricing and terms of the coating services and hardbanding services provided by Hilong Pipeline Group will be no less favorable to the Group as compared to other quotations received from Independent Third Party service providers.

Before entering into the transactions under the 2024 Welding Wire Supply Agreement, the marketing department will closely monitor the prices of the welding wires offered to Hilong Pipeline by evaluating the average price of the welding wires offered to the Independent Third Parties of the Group and the market prices of similar products under similar sales terms and conditions. For the evaluation mentioned above, the marketing department of the Group will first collect market price information available in the public domain. The CCT IC Committee will then discuss and review the prices and conditions of the welding wires offered to Hilong Pipeline (taking into account various factors such as costs, transaction volume, sales channel and market competition). In the event of market fluctuations, the CCT IC Committee will also convene meetings on an urgent basis. If at any time the relevant departments of the Group become aware that the price of welding wires offered to Hilong Pipeline is lower than that offered by the Group to Independent Third Parties and/or the terms of welding wires offered to Hilong Pipeline Group are more favorable than those offered by the Group to Independent Third Parties, such findings shall be reported to the CCT IC Committee immediately. The CCT IC Committee shall then discuss with the Board to adjust the price offered to Hilong Pipeline Group and/or amend the relevant terms. Hilong Energy Group will only supply welding wires

to Hilong Pipeline Group when the sales prices and conditions offered to Hilong Pipeline Group are no more favorable than those being offered to Independent Third Party and to ensure that all transactions with Hilong Pipeline Group will comply with the terms of the 2024 Welding Wire Supply Agreement.

To ensure the transactions contemplated under the 2024 Hilong Energy CCT Agreements do not exceed the respective proposed annual caps, the financial department of the Company will regularly monitor the actual transaction amount under the 2024 Hilong Energy CCT Agreements on a monthly basis and submit monthly reports to the CCT IC Committee to evaluate and review the implementation progress of the continuing connected transactions. If the financial department notices that the transactions under the 2024 Hilong Energy CCT Agreements will have the possibility of exceeding the respective proposed annual caps, it will notify the business and legal departments of the Group at once, as well as the CCT IC Committee to take next steps to ensure compliance with the relevant Listing Rules.

The audit department of the Company will review the continuing connected transactions under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement annually to check and confirm (among others) the fairness of the pricing terms, the implementation of continuing connected transactions, and the compliance of contract approval, ensuring that the internal control processes and operational procedures are complied in accordance with the requirements of the Management System and the Listing Rules.

The Company's external auditors will review the continuing connected transactions under each of the 2024 Hilong Energy CCT Agreements annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded. Hilong Pipeline Group has agreed to allow the Company and its external auditors to access the information necessary to report on the continuing connected transactions contemplated under the 2024 Hilong Energy CCT Agreements.

The independent non-executive Directors will review the continuing connected transactions under the 2024 Hilong Energy CCT Agreements annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.

INFORMATION ON THE COMPANY AND THE COUNTERPARTIES

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.

Hilong Energy

Hilong Energy is incorporated in Hong Kong in 2008 and is principally engaged in investment holding. Hilong Energy is an indirect wholly-owned subsidiary of the Company. Hilong Energy Group consists of Hilong Energy and its subsidiaries.

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. Hilong Pipeline is wholly-owned by Hilong Shine New Material.

As at the date of this announcement, Hilong Shine New Material is held as to:

- (1) approximately 52.57% by BHH Petroleum Machine Equipment, which is held as to approximately 95.65% and 4.35% by Mr. Zhang and Ms. Zhang Jingying, the mother of Mr. Zhang, respectively;
- (2) approximately 18.18% by Sinopec Group Capital Co., Ltd. (中國石化集團資本有限公司) (“**Sinopec Group Capital**”), a company incorporated under the laws of the PRC. As at the date of this announcement, Sinopec Group Capital was held as to 51.00% by China Petrochemical Corp. (中國石油化工集團有限公司) which is a state-owned enterprise and 49.00% by China Petroleum & Chemical Corporation (中國石油化工股份有限公司) which is listed on the Stock Exchange (stock code: 00386) and the Shanghai Stock Exchange (stock code: 600028);
- (3) approximately 6.06% by China Building Material (Anhui) New Materials Industry Investment Fund (Limited Partnership) (中建材(安徽)新材料產業投資基金合夥企業(有限合夥)) (“**CBM Anhui**”), a limited partnership incorporated under the laws of the PRC. As at the date of this announcement, the executive partner of CBM Anhui is China Building Materials (Anhui) New materials Fund Management Co., Ltd. (中建材(安徽)新材料基金管理有限公司) which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);

- (4) approximately 5.33% by Zibo Juncihongchuang No.1 Equity Investment Fund Partnership (Limited Partnership) (淄博隽賜虹創壹號股權投資基金合夥企業(有限合夥)) (“**Zibo Juncihongchuang**”), a limited partnership incorporated under the laws of the PRC. As at the date of this announcement, the executive partner of Zibo Juncihongchuang is Shanghai Junci Investment Co., Ltd. (上海隽賜投資管理有限公司), which is owned as to 51.00% by Zhang Fenglin (張鳳林) and 49.00% by Zhang Liying (張利英) who are Independent Third Parties; and
- (5) other 11 shareholders each holding less than 5% of the equity interest in Hilong Shine New Material.

To the best of the Company’s knowledge, information and belief, each of the shareholders of Hilong Shine New Material (other than BHH Petroleum Machine Equipment) and their respective ultimate beneficial owners is an Independent Third Party.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Hilong Energy is an indirect wholly-owned subsidiary of the Company, and Hilong Pipeline is a wholly-owned subsidiary of Hilong Shine New Material. Hilong Shine New Material is held as to approximately 52.57% by 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 is an associate of Mr. Zhang and thus a connected person of the Company. Therefore, the transactions under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The existing annual cap of the transactions under the Coating Services and Hardbanding Services is adjusted to cover the financial year ending 31 December 2024. Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the existing annual cap, the Company will have to re-comply with provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

Given (i) the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and (ii) the 2024 Welding Wire Supply Agreement are entered into within a 12-month period with the same connected person and are of a similar nature, the Company has aggregated the transactions contemplated under such agreements for the purpose of considering the Company’s compliance obligations pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. The proposed revised annual cap for the transactions contemplated under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement is RMB278,000,000 and the proposed annual cap under the 2024 Welding Wire Supply Agreement is RMB19,060,000. Therefore, the aggregate proposed annual caps in relation to the transactions under such agreements for the financial year ending 31 December 2024 is RMB297,060,000. As the highest applicable percentage ratio of the aggregate proposed annual caps exceed 5%, each of the above transactions is subject to, among other things, the reporting, announcement, annual

review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhang, the chairman of the Board who is also the ultimate controlling shareholder of Hilong Pipeline, is considered to have a material interest in (i) the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and (ii) the 2024 Welding Wire Supply Agreement. 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 approving the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

Pursuant to 14A.36 of the Listing Rules, any Shareholder who has a material interest in the 2024 Hilong Energy CCT Agreements shall abstain from voting to approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto at the EGM. As at the date of this announcement, Hilong Group Limited, Younger Investment Limited, North Violet Investment Limited and LongZhi Investment Limited are interested in an aggregate of 825,961,800 Shares, which are held by Mr. Zhang's trust and family trusts, with Standard Chartered Trust (Singapore) Limited acting as trustee of Mr. Zhang's trust and family trusts. Mr. Zhang is interested in 1,260,000 Shares in his capacity as a beneficial owner, and is the founder of Mr. Zhang's trust and family trusts as well as the sole director of Hilong Group Limited, North Violet Investment Limited and LongZhi Investment Limited. In addition, Ms. ZHANG Shuman is interested in 692,000 Shares in her capacity as a beneficial owner, and is deemed to be interested in the Shares held by Younger Investment Limited of which she is the sole director. Mr. CAO Hongbo is interested in 1,708,000 Shares in his capacity as a beneficial owner. Accordingly, each of Hilong Group Limited, Younger Investment Limited, North Violet Investment Limited, LongZhi Investment Limited, Mr. Zhang, Ms. ZHANG Shuman and Mr. CAO Hongbo, who are interested in an aggregate of 829,621,800 Shares, representing approximately 48.90% of the total issued Shares of the Company as at the date of this announcement, will be required to abstain from voting on the relevant resolutions at the EGM to approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto accordingly. Save as disclosed above, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting as no other Shareholder has any interest in the 2024 Hilong Energy CCT Agreements which is different from the other Shareholders.

GENERAL

The Company will convene an EGM to approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders in respect of the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the 2024 Hilong Energy CCT Agreements (including the respective transactions contemplated thereunder and the proposed annual caps related thereto); (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 19 March 2024.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“2024 Hilong Energy CCT Agreements”	the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement
“2024 Supplemental Coating Services and Hardbanding Services Agreement”	the supplemental agreement to the Coating Services and Hardbanding Services Agreement dated 27 February 2024 entered into between Hilong Pipeline and Hilong Energy to extend the term of the Coating Services and Hardbanding Services Agreement until 31 December 2024
“2024 Welding Wire Supply Agreement”	the renewed agreement dated 27 February 2024 entered into between Hilong Energy and Hilong Pipeline in relation to the provision of welding wires by Hilong Energy Group to Hilong Pipeline Group
“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 of the Company
“Coating Services and Hardbanding Services Agreement”	the agreement dated 22 December 2023 entered into between Hilong Pipeline and Hilong Energy in relation to the provision of coating services and hardbanding services by Hilong Pipeline Group to Hilong Energy Group
“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

“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the effective date of the 2024 Hilong Energy CCT Agreements, being the date of approval by the Independent Shareholders at the EGM in relation to the 2024 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the 2024 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Group”	the Company and its subsidiaries
“Hilong Energy”	Hilong Energy Limited (海隆能源有限公司), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“Hilong Energy CCT Agreements”	the Coating Services and Hardbanding Services Agreement and the Welding Wire Supply Agreement
“Hilong Energy Group”	Hilong Energy 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 company 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
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	the board committee of the Company comprising all independent non-executive Directors, namely Mr. WANG Tao (王濤), Mr. WONG Man Chung Francis and Mr. SHI Zheyang, to be established to make recommendation to the Independent Shareholders in respect of 2024 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the 2024 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Independent Shareholders”	the Shareholders, other than Mr. Zhang and his associates, who are entitled to vote at the EGM in respect of the 2024 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“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 of Hong Kong Limited
“Mr. Zhang”	Mr. ZHANG Jun (張軍), the chairman of the Board, an executive Director and a controlling shareholder of the Company
“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 People’s Republic of China
“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
“Welding Wire Supply Agreement”	the agreement dated 22 December 2023 entered into between Hilong Energy and Hilong Pipeline in relation to the provision of welding wires by Hilong Energy Group to Hilong Pipeline Group
“%”	percent

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

Hong Kong, 27 February 2024

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 Zheyang.

* *For identification purpose only*