

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hilong Holding Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



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) RENEWAL OF TENANCY AGREEMENTS;

(2) EQUIPMENT LEASE AGREEMENT;

AND

(3) NOTICE OF THE 2024 SECOND EXTRAORDINARY GENERAL MEETING

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

RAINBOW CAPITAL (HK) LIMITED
滙博資本有限公司

A letter from the Board is set out on pages 8 to 26 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 27 of this circular. A letter from Rainbow Capital (HK) Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 50 of this circular.

A notice convening the 2024 second extraordinary general meeting (“EGM”) of Hilong Holding Limited (the “Company”) to be held at Conference Room, 6th Floor, Hilong Group of Companies Ltd., No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, China on Monday, 12 August 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange at (www.hkexnews.hk) and the Company (www.hilonggroup.com). Whether or not you are able to attend the EGM, you are requested to read the notice of the EGM and to complete and sign the form of proxy enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish. In such event, the form of proxy shall be deemed to be revoked.

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	8
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	27
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	28
APPENDIX I – GENERAL INFORMATION	I-1
NOTICE OF EGM	EGM-1

DEFINITIONS

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

“2024 Pipeline Petroleum Equipment Effective Date”	the date on which 2024 Pipeline Petroleum Equipment Lease Agreement becomes effective, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving the 2024 Pipeline Petroleum Equipment Lease Agreement, the transaction contemplated thereunder and the proposed annual cap, whichever is later
“2024 Pipeline Petroleum Equipment Lease Agreement”	the equipment lease agreement dated 18 July 2024 entered into between Drilling Technology (as lessor) and Hilong Petroleum Pipeline (as lessee) in relation to the operating lease of manufacturing test equipment for a terms of six months starting from 2024 Pipeline Petroleum Equipment Effective Date to 31 December 2024 (both days inclusive)
“2024 Pipeline Tenancy Agreements”	collectively, 2024 Pipeline Tenancy Agreement No. 1, 2024 Pipeline Tenancy Agreement No. 2 and 2024 Pipeline Tenancy Agreement No. 3, as disclosed in the announcement of the Company dated 5 January 2024
“2024 Renewed Beijing Huashi Tenancy Agreements”	collectively, 2024 Renewed Beijing Huashi Tenancy Agreement No. 1, 2024 Renewed Beijing Huashi Tenancy Agreement No. 2, 2024 Renewed Beijing Huashi Tenancy Agreement No. 3 and 2024 Renewed Beijing Huashi Tenancy Agreement No. 4, as disclosed in the announcement of the Company dated 5 January 2024
“2024 Renewed Shine New Material Tenancy Agreement”	2024 Renewed Shine New Material Tenancy Agreement as disclosed in the announcement dated 5 January 2024
“2024 Supplemental Beijing Huashi Effective Date”	the date on which 2024 Supplemental Beijing Huashi Tenancy Agreements become effective, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving 2024 Supplemental Beijing Huashi Tenancy Agreements, the transactions contemplated thereunder and the proposed revised annual cap, whichever is later

DEFINITIONS

“2024 Supplemental Beijing Huashi Tenancy Agreement No. 1”	the supplemental agreement dated 18 July 2024 entered into between Hilong Oil Service as lessee and Beijing Huashi Investment as lessor in respect of the leasing of office premises located at 20/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, PRC to renew for a term of six months starting from 2024 Supplemental Beijing Huashi Effective Date to 31 December 2024 (both days inclusive)
“2024 Supplemental Beijing Huashi Tenancy Agreement No. 2”	the supplemental agreement dated 18 July 2024 entered into between Hilong Oil Service as lessee and Beijing Huashi Investment as lessor in respect of the leasing of office premises located at Room 502, 5/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, PRC to renew for a term of six months starting from 2024 Supplemental Beijing Huashi Effective Date to 31 December 2024 (both days inclusive)
“2024 Supplemental Beijing Huashi Tenancy Agreement No. 3”	the supplemental agreement dated 18 July 2024 entered into between Hilong Oil Service as lessee and Beijing Huashi Investment as lessor in respect of the leasing of office premises located at Room 503-1, 5/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, PRC to renew for a term of six months starting from 2024 Supplemental Beijing Huashi Effective Date to 31 December 2024 (both days inclusive)
“2024 Supplemental Beijing Huashi Tenancy Agreement No. 4”	the supplemental agreement dated 18 July 2024 entered into between Hilong Oil Service as lessee and Beijing Huashi Investment as lessor in respect of the leasing of office premises located at Room 501, 5/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, PRC to renew for a term of six months starting from 2024 Supplemental Beijing Huashi Effective Date to 31 December 2024 (both days inclusive)
“2024 Supplemental Beijing Huashi Tenancy Agreements”	collectively, 2024 Supplemental Beijing Huashi Tenancy Agreement No. 1, 2024 Supplemental Beijing Huashi Tenancy Agreement No. 2, 2024 Supplemental Beijing Huashi Tenancy Agreement No. 3 and 2024 Supplemental Beijing Huashi Tenancy Agreement No. 4

DEFINITIONS

“2024 Supplemental Pipeline Effective Date”	the date on which 2024 Supplemental Pipeline Tenancy Agreements become effective, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving 2024 Supplemental Pipeline Tenancy Agreements, the transactions contemplated thereunder and the proposed revised annual cap, whichever is later
“2024 Supplemental Pipeline Tenancy Agreements No. 1”	the supplemental agreement dated 18 July 2024 entered into between Hilong Group of Companies Ltd. as lessor and Hilong Pipeline as lessee in respect of the premises in D plant, F plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC for office use and manufacturing plant to renew for a term of six months starting from 2024 Supplemental Pipeline Effective Date to 31 December 2024 (both days inclusive)
“2024 Supplemental Pipeline Tenancy Agreements No. 2”	the supplemental agreement dated 18 July 2024 entered into between Hilong Group of Companies Ltd. as lessor and Shenglong Oil and Gas as lessee in respect of the premises in F plant, G plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC for office use and manufacturing plant to renew for a term of six months starting from 2024 Supplemental Pipeline Effective Date to 31 December 2024 (both days inclusive)
“2024 Supplemental Pipeline Tenancy Agreement No. 3”	the supplemental agreement dated 18 July 2024 entered into between Technomash as lessor and Drilling Technology as lessee in respect of the premises in 47/1, 10A, 10B and 10C, Demyan Bedny Street, Nevyansk, Sverdlovsk Region, Russian Federation for office use and manufacturing plant to renew for a term of six months starting from 2024 Supplemental Pipeline Effective Date to 31 December 2024 (both days inclusive)
“2024 Supplemental Pipeline Tenancy Agreements”	collectively, 2024 Supplemental Pipeline Tenancy Agreement No. 1, 2024 Supplemental Pipeline Tenancy Agreement No. 2 and 2024 Supplemental Pipeline Tenancy Agreement No. 3

DEFINITIONS

“2024 Supplemental Shine New Material Effective Date”	the date on which 2024 Supplemental Shine New Material Tenancy Agreement becomes effective, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving 2024 Supplemental Shine New Material Tenancy Agreement, the transaction contemplated thereunder and the proposed revised annual cap, whichever is later
“2024 Supplemental Shine New Material Tenancy Agreement”	the supplemental agreement dated 18 July 2024 entered into between Hilong Group of Companies Ltd. as lessor and Hilong Shine New Material as lessee in respect of the factory premises located at No. 1825, Luodong Road, Baoshan District, Shanghai, the PRC for use as a manufacturing plant to renew for a term of six months starting from 2024 Supplemental Shine New Material Effective Date to 31 December 2024 (both days inclusive)
“2024 Supplemental Tenancy CCT Agreements”	collectively, the 2024 Supplemental Beijing Huashi Tenancy Agreements, the 2024 Supplemental Shine New Material Tenancy Agreement, the 2024 Supplemental Pipeline Tenancy Agreements and the 2024 Pipeline Petroleum Equipment Lease Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Huashi Investment”	Beijing Huashi Hailong Oil Investment Co., Ltd.* (北京華實海隆石油投資有限公司), a company established in the PRC, and an associate of Mr. Zhang
“BHH Petroleum Machine Equipment”	Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd.* (北京華實海隆石油機械設備有限公司), an entity controlled by Mr. Zhang, a controlling shareholder and director of the Company
“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 ordinary shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Drilling Technology”	Drilling Technology Limited liability Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the 2024 Supplemental Tenancy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Group”	the Company and its subsidiaries
“Hilong Group of Companies Ltd.”	Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Hilong Oil Service”	Hilong Oil Service and Engineering Co., Ltd.* (海隆石油技術服務有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Hilong Petroleum Pipeline”	Hilong Petroleum Pipeline Service (Surgut) LLC
“Hilong Pipeline”	Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司)
“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
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“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, established to make recommendation to the Independent Shareholders in respect of 2024 Supplemental Tenancy 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 Supplemental Tenancy 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 Supplemental Tenancy 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)
“Latest Practicable Date”	22 July 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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
“RMB”	Renminbi, the lawful currency of the People’s Republic of China

DEFINITIONS

“RUB”	Russian Ruble, the lawful currency of the Russian Federation
“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)
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent.

* *For identification purpose only*

** *For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00 to RUB12.38 has been used, where applicable, for purpose of illustration only and such conversion should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.*



Hilong Holding Limited
海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1623)

Executive Directors:

Mr. ZHANG Jun
Mr. WANG Tao (汪濤)

Non-executive Directors:

Ms. ZHANG Shuman
Dr. YANG Qingli
Mr. CAO Hongbo
Dr. FAN Ren Da Anthony

Independent non-executive Directors:

Mr. WANG Tao (王濤)
Mr. WONG Man Chung Francis
Mr. SHI Zheyang

Registered Office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business

in Hong Kong:
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

25 July 2024

To the Shareholders:

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) RENEWAL OF TENANCY AGREEMENTS;
(2) EQUIPMENT LEASE AGREEMENT;
AND
(3) NOTICE OF THE 2024 SECOND EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference are made to:

- (i) the announcement of the Company dated 5 January 2024 in relation to the 2024 Renewed Beijing Huashi Tenancy Agreements, 2024 Renewed Shine New Material Tenancy Agreement and 2024 Pipeline Tenancy Agreements, the respective transactions contemplated thereunder and the annual caps related thereto; and

* For identification purpose only

LETTER FROM THE BOARD

- (ii) the announcement of the Company dated 18 July 2024 and the clarification announcement of the Company dated 19 July 2024 in relation to the 2024 Supplemental Beijing Huashi Tenancy Agreements, 2024 Supplemental Shine New Material Tenancy Agreement, 2024 Supplemental Pipeline Tenancy Agreements and 2024 Pipeline Petroleum Equipment Lease Agreement, the respective transactions contemplated thereunder and the proposed annual caps related thereto.

The purpose of this circular is to provide you with, among other things, (i) further details of the 2024 Supplemental Tenancy 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.

2. CONTINUING CONNECTED TRANSACTIONS

(A) 2024 SUPPLEMENTAL BEIJING HUASHI TENANCY AGREEMENTS

Background: Given that the 2024 Renewed Beijing Huashi Tenancy Agreements have expired on 30 June 2024, the parties entered into the 2024 Supplemental Beijing Huashi Tenancy Agreements to renew a term of six months starting from 2024 Supplemental Beijing Huashi Effective Date to 31 December 2024 (both days inclusive). The principal terms of the 2024 Supplemental Beijing Huashi Tenancy Agreements are set out below:

Date: 18 July 2024

Term: The period commencing from 2024 Supplemental Beijing Huashi Effective Date, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving the 2024 Supplemental Beijing Huashi Tenancy Agreements, the transactions contemplated thereunder and the proposed revised annual cap, whichever is later, to 31 December 2024 (both days inclusive)

	2024 Supplemental Beijing Huashi Tenancy Agreement No. 1	2024 Supplemental Beijing Huashi Tenancy Agreement No. 2	2024 Supplemental Beijing Huashi Tenancy Agreement No. 3	2024 Supplemental Beijing Huashi Tenancy Agreement No. 4
Lessor:	Beijing Huashi Investment	Beijing Huashi Investment	Beijing Huashi Investment	Beijing Huashi Investment
Lessee:	Hilong Oil Service	Hilong Oil Service	Hilong Oil Service	Hilong Oil Service

LETTER FROM THE BOARD

Leased premises:	20/F, Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC	Room 502, 5/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC	Room 503-1, 5/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC	Room 501, 5/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC
Leased area:	1,850.32 square metres	476.99 square metres	126.12 square metres	276.74 square metres
Monthly rental:	RMB644,412.49 per month excluding utility fees	RMB160,608.50 per month excluding utility fees	RMB30,650.84 per month excluding utility fees	RMB93,434.34 per month excluding utility fees
Rental deposits:	RMB1,288,824.98	RMB321,217	RMB61,301.68	RMB186,868.68
Usage:	Office	Office	Office	Office
Payment:	The total rental of RMB5,574,637.02 is payable by Hilong Oil Service in full together with the rental deposits on the date of the 2024 Supplemental Beijing Huashi Tenancy Agreements.			
Renewal of leases:	Prior to the expiration of the term of the 2024 Supplemental Beijing Huashi Tenancy Agreements, the parties may enter into renewal agreement(s) subject to negotiations of the parties upon Hilong Oil Service's request to renew the 2024 Supplemental Beijing Huashi Tenancy Agreements and compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules).			
Historical transaction amounts:	For the year ended 31 December 2023		For the six months ended 30 June 2024	
	<i>RMB</i>		<i>RMB</i>	
	11,149,274		5,574,637	
Annual cap:	Existing annual cap for the period from 1 January 2024 to 30 June 2024	Proposed annual cap for the period from 1 July 2024 to 31 December 2024	Aggregate proposed annual cap for the financial year ending 31 December 2024	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	5,575	5,575	11,150	

LETTER FROM THE BOARD

Basis of consideration

In arriving at the monthly rental, the Directors have considered: (i) the historical rental amounts payable by Hilong Oil Service under the 2024 Renewed Beijing Huashi Tenancy Agreements for the six months ended 30 June 2024 with the unit rental price of RMB340.31 per square meter per month, which is the same as the proposed rental amount under the 2024 Supplemental Beijing Huashi Tenancy Agreements; (ii) superior location of the premises to be leased under the 2024 Supplemental Beijing Huashi Tenancy Agreements in Sanlitun (三里屯), which is a popular destination for shopping and dining in Beijing with high rental demand; (iii) the condition of the premises to be leased including the interior design and decorations; (iv) rental levels of similar properties in the vicinity of the leased premises (taking into account factors such as leased areas and floor levels); (v) discount and credit term on property management fee; (vi) naming right of the building, being the right of use granted by the lessor for free; and (vii) the prevailing market rents with respect to the premises to be leased, which is obtainable as public information from the online rental platforms.

(B) 2024 SUPPLEMENTAL SHINE NEW MATERIAL TENANCY AGREEMENT

Background: Given that the 2024 Renewed Shine New Material Tenancy Agreement has expired on 30 June 2024, the parties entered into the 2024 Supplemental Shine New Material Tenancy Agreement to renew a term of six months starting from 2024 Supplemental Shine New Material Effective Date to 31 December 2024 (both days inclusive). The principal terms of the 2024 Supplemental Shine New Material Tenancy Agreement are set out below:

Date: 18 July 2024

Term: The period commencing from 2024 Supplemental Shine New Material Effective Date, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving the 2024 Supplemental Shine New Material Tenancy Agreement, the transaction contemplated thereunder and the proposed revised annual cap, whichever is later, to 31 December 2024 (both days inclusive)

Lessor: Hilong Group of Companies Ltd.

Lessee: Hilong Shine New Material

Leased premises: Factory premises located at No. 1825, Luodong Road, Baoshan District, Shanghai, PRC

Leased area: 22,135.46 square meters

Monthly rental: RMB358,574.99 per month. Accordingly, the total rental to be received by Hilong Group of Companies Ltd under the agreement is RMB2,151,449.95.

LETTER FROM THE BOARD

Utility fees: RMB192,916.67 per month, which consists of water and electricity fees. Accordingly, the total utility fees to be received by Hilong Group of Companies Ltd under the agreement is RMB1,157,500.

Usage: Manufacturing plant

Payment: The total rental and utility fees in the amount of RMB3,308,949.95 is payable by Hilong Shine New Material within 15 days from the date of the 2024 Supplemental Shine New Material Tenancy Agreement.

Renewal of leases: Subject to compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules) and negotiation of the parties, Hilong Shine New Material has the option to renew the 2024 Supplemental Shine New Material Tenancy Agreement by giving 60 days' prior written notice to Hilong Group of Companies Ltd. before the expiration of the 2024 Supplemental Shine New Material Tenancy Agreement. New tenancy agreements or renewal agreements may be entered into by the parties.

Historical transaction amounts:	For the year ended 31 December 2023	For the six months ended 30 June 2024
--	--	--

RMB

RMB

3,305,178

3,411,597

Annual cap:	Existing annual cap for the period from 1 January 2024 to 30 June 2024	Proposed annual cap for the period from 1 July 2024 to 31 December 2024	Aggregate proposed annual cap for the financial year ending 31 December 2024
--------------------	---	--	---

RMB'000

RMB'000

RMB'000

3,412

3,309

6,721

Note:

- (1) The ownership of the premises was transferred from Hilong Zhizao Consulting, an indirect wholly-owned subsidiary of the Company, to Hilong Group of Companies Ltd.

LETTER FROM THE BOARD

Basis of consideration

The terms of the 2024 Supplemental Shine New Material Tenancy Agreement was determined on an arm's length basis and normal commercial terms taking into account: (i) the historical rental amounts payable by Hilong Shine New Material under the 2024 Renewed Shine New Material Tenancy Agreement for the six months ended 30 June 2024, which was RMB17.88 per square meter per month, representing a decrease of approximately 9.42% for the proposed unit rental price under the 2024 Supplemental Shine New Material Tenancy Agreement. The decrease in rental amounts is due to the fact that part of the rental area is no longer leased by Shine New Material which results in overall decrease in unit rental price to reflect the decrease in leased area; (ii) the maintenance costs of the premises to be leased, such as the costs of roof reinforcement and cost of waterproofing, which will be borne by the lessee; (iii) the location of the premises to be leased, which is relatively remote and is inconvenient in traffic; (iv) low customized requirements, being no stringent requirements for air cleanliness and green coverage rate; (v) the floor area, structure and type of the premises to be leased; (vi) construction cost of the premises to be leased; and (vii) the prevailing market rents with respect to the premises to be leased, which is obtainable as public information from the surrounding rental market and after consulting the advices of several reputable local real estate agents. The utility fees are determined by reference to the latest charging rates of the respective utilities as set by the government or the utilities suppliers and the estimated consumption level of Hilong Shine New Material.

LETTER FROM THE BOARD

(C) 2024 SUPPLEMENTAL PIPELINE TENANCY AGREEMENTS

Background: Given that the 2024 Pipeline Tenancy Agreements have expired on 30 June 2024, the parties entered into the 2024 Supplemental Pipeline Tenancy Agreements to renew a term of six months starting from 2024 Supplemental Pipeline Effective Date to 31 December 2024 (both days inclusive). The principal terms of the 2024 Supplemental Pipeline Tenancy Agreements are set out below:

Date: 18 July 2024

Term: The period commencing from 2024 Supplemental Pipeline Effective Date, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving the 2024 Supplemental Pipeline Tenancy Agreements, the transactions contemplated thereunder and the proposed revised annual cap, whichever is later, to 31 December 2024 (both days inclusive)

	2024 Supplemental Pipeline Tenancy Agreement No. 1	2024 Supplemental Pipeline Tenancy Agreement No. 2	2024 Supplemental Pipeline Tenancy Agreement No. 3
Lessor:	Hilong Group of Companies Ltd. ⁽¹⁾	Hilong Group of Companies Ltd. ⁽¹⁾	Technomash
Lessee:	Hilong Pipeline	Shenglong Oil and Gas	Drilling Technology
Leased premises:	Premises in D plant, F plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC	Premises in F plant, G plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC	Premises in 47/1, 10A, 10B and 10C, Demyan Bedny Street, Nevyansk, Sverdlovsk Region, Russian Federation
Leased area:	14,617.06 square meters	3,862.22 square meters	19,640.87 square meters
Monthly rental:	RMB241,418.24 per month	RMB52,790.41 per month	RUB9,366,229.50 per month (equivalent to approximately RMB756,561.35) (inclusive of water and electricity fees) ^(**)

LETTER FROM THE BOARD

Utility fees:	RMB995,983.33 per month, which consists of water and electricity fees. Accordingly, the total utility fees to be received by Hilong Group of Companies Ltd. under the agreement is RMB5,975,900.	RMB4,029 per month, which consists of water and electricity fees. Accordingly, the total utility fees to be received by Hilong Group of Companies Ltd. under the agreement is RMB24,174.	
Usage:	Office use and manufacturing plant		
Payment:	The total rental and utility fees in the amount of RMB7,424,409.44 is payable in full by the lessee to the lessor within 15 days from the date of the agreement.	The total rental and utility fees in the amount of RMB340,916.46 is payable in full by the lessee to the lessor within 15 days from the date of the agreement.	The monthly rental is payable on a monthly basis by the end of the preceding month. The total rental under the agreement is RUB56,197,377 (equivalent to approximately RMB4,539,368.09 ^(**)).
Renewal of leases:	Subject to compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules), the lessee has the option to renew the leases by giving 60 days' prior written notice to the lessor before the expiration of the lease. New tenancy agreements or renewal agreements may be entered into by the parties.		
Historical transaction amounts:	For the year ended 31 December 2023	For the six months ended 30 June 2024	
	<i>RMB</i>	<i>RMB</i>	
	6,033,171	8,589,106	
Annual cap:	Existing annual cap for the period from 1 January 2024 to 30 June 2024	Proposed annual cap for the period from 1 July 2024 to 31 December 2024	Aggregate proposed annual cap for the financial year ending 31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	8,590	12,310	20,900

LETTER FROM THE BOARD

Basis of consideration

The terms of the 2024 Supplemental Pipeline Tenancy Agreements were determined on an arm's length basis and normal commercial terms taking into account: (i) the historical rental amounts payable by Hilong Pipeline and Shenglong Oil and Gas to Hilong Group of Companies Ltd. and Drilling Technology to Technomash under the 2024 Pipeline Tenancy Agreement No. 1, 2024 Pipeline Tenancy Agreement No. 2 and 2024 Pipeline Tenancy Agreement No. 3 for the six months ended 30 June 2024, which was RMB16.52, RMB13.18 and RMB35.13 per square meter per month respectively. The proposed rental amount of the 2024 Supplemental Pipeline Tenancy Agreement No. 1 is the same as the rental amount under the 2024 Pipeline Tenancy Agreement No. 1 and the proposed unit rental price of the 2024 Supplemental Pipeline Tenancy Agreement No. 2 is comparable to 2024 Pipeline Tenancy Agreement No. 2, representing a slight increase of 3.67% for the new tenancy agreement. The proposed unit rental price under the 2024 Supplemental Pipeline Tenancy Agreement No. 3 has increased by 9.64% as compare to 2024 Pipeline Tenancy Agreement No. 3 to reflect an increase in the projected consumption of water and electricity for the six months ended 31 December 2024, which aligns with regular course of our business operations; (ii) the maintenance costs of the premises to be leased, such as the costs of roof reinforcement and cost of waterproofing, which will be borne by the lessee; (iii) the location of the premises to be leased, which is relatively remote and is inconvenient in traffic; (iv) low customized requirements, being no stringent requirements for air cleanliness and green coverage rate; (v) the floor area, structure and type of the premises to be leased; (vi) construction cost of the premises to be leased; and (vii) the prevailing market rents with respect to the premises to be leased, which is obtainable as public information from the surrounding rental market and after consulting the advices of several reputable local real estate agents. The utility fees are determined by reference to the latest charging rates of the respective utilities as set by the government or the utilities suppliers and the estimated consumption level of Hilong Pipeline and Shenglong Oil and Gas.

LETTER FROM THE BOARD

(D) 2024 PIPELINE PETROLEUM EQUIPMENT LEASE AGREEMENT

Date:	18 July 2024
Term:	The period commencing from 2024 Pipeline Petroleum Equipment Effective Date, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving the 2024 Pipeline Petroleum Equipment Lease Agreement, the transaction contemplated thereunder and the proposed annual cap, whichever is later, to 31 December 2024 (both days inclusive)
Lessor:	Drilling Technology
Lessee:	Hilong Petroleum Pipeline
Subject Matter:	Manufacturing test equipment for production of drill pipes
Monthly rental:	RUB22,600 (equivalent to approximately RMB1,825.53)**)
Payment:	The monthly rental is payable on a monthly basis by the end of the preceding month. The total rental under the agreement is RUB135,600 (equivalent to approximately RMB10,953.15)**).
Renewal of leases:	Subject to compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules), the lessee has the option to renew the lease by giving 60 days' prior written notice to the lessor before the expiration of the lease. Renewal agreements may be entered into by the parties.
Annual cap:	Proposed annual cap for the period from 1 July 2024 to 31 December 2024 is RMB11,000.

Basis of consideration

The terms of the 2024 Pipeline Petroleum Equipment Lease Agreement was determined on an arm's length basis and normal commercial terms taking into account: (i) the conditions of the equipment to be leased to Hilong Petroleum Pipeline, which has been used for more than two years with low production efficiency; (ii) the rental amount of the equipment to be leased remain similar to the prevailing market price, despite their relatively less efficient conditions; and (iii) the prevailing market rates with reference to prices quoted by Independent Third Parties which provide similar equipment, which is obtainable as public information from the online rental platforms.

LETTER FROM THE BOARD

Accounting Treatment with respect to the 2024 Supplemental Beijing Huashi Tenancy Agreements and the 2024 Supplemental Pipeline Tenancy Agreement No. 3

According to applicable accounting standards, generally, the Group as the lessee shall recognize a lease as a right-of-use asset in the consolidated statement of financial position of the Group according to HKFRS 16. Since the term of each of the 2024 Supplemental Beijing Huashi Tenancy Agreements and the 2024 Supplemental Pipeline Tenancy Agreement No. 3 is no more than 12 months, the Group may elect not to recognize assets and liabilities for the leases contemplated under the 2024 Supplemental Beijing Huashi Tenancy Agreements and the 2024 Supplemental Pipeline Tenancy Agreement No. 3 in its consolidated statement of financial position according to HKFRS 16. Accordingly, the rental payable by the Group pursuant to the 2024 Supplemental Beijing Huashi Tenancy Agreements and the 2024 Supplemental Pipeline Tenancy Agreement No. 3 will be recognized as expenses in the Group's profit and loss accounts in the period in which they are incurred, and the payment of such rental will be regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

ANNUAL CAPS

The existing aggregate annual caps (rounded up to the nearest thousand RMB) under the 2024 Tenancy CCT Agreements for the period from 1 January 2024 to 30 June 2024 are renewed for the period from 1 July 2024 to 31 December 2024 to cover the financial year ending 31 December 2024 under the 2024 Supplemental Tenancy CCT Agreements:

Existing annual cap for the period from 1 January 2024 to 30 June 2024	Proposed annual cap for the period from 1 July 2024 to 31 December 2024	Aggregate proposed annual cap for the financial year ending 31 December 2024
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
17,577	21,205	38,782

In arriving at the aggregate proposed annual caps of RMB21,205,000 for the period from 1 July 2024 to 31 December 2024, which comprises (i) the aggregate amount of the rental payable by the Group to Beijing Huashi Investment under the 2024 Supplemental Beijing Huashi Tenancy Agreements; (ii) the amount of the rental and utility fees payable by Hilong Shine New Material to the Group under the 2024 Supplemental Shine New Material Tenancy Agreement; (iii) the aggregate amount of rental and utility fees payable by Hilong Pipeline and Shenglong Oil and Gas to the Group and rental payable by the Group to Technomash under the 2024 Supplemental Pipeline Tenancy Agreements; and (iv) the amount of rental payable by Hilong Petroleum Pipeline to the Group under the 2024 Pipeline Petroleum Equipment Lease Agreement, the Directors have taken into account the historical transaction amounts and aggregate estimated amounts payable or to be received by the Group under the such agreements.

LETTER FROM THE BOARD

The terms of each of the 2024 Supplemental Tenancy CCT Agreements were negotiated by the parties on arm's length basis, taking into account prevailing market rates but in any event at leasing terms and rental rates no less favourable than those offered to the Group by independent third parties for the same or similar types of leased premises, and with reference to the latest charging rates of the respective utilities as set by the government or the utilities suppliers. Based on the above reasons, the Directors (including the independent non-executive Directors) are of the view that the terms of the continuing connected transactions contemplated under each of 2024 Supplemental Tenancy CCT Agreements and the aggregate annual caps contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

REASONS FOR AND BENEFITS IN RELATION TO THE TRANSACTIONS

The Group has been leasing premises from Beijing Huashi Investment for use as offices, and has practical needs to continue to lease such office premises. The leases of the office premises under the 2024 Renewed Beijing Huashi Tenancy Agreements have expired on 30 June 2024. The Company believes that it is time and cost efficient for the Group to continue to lease the premises under the 2024 Supplemental Beijing Huashi Tenancy Agreements rather than seeking for alternative locations, which would incur unnecessary moving costs and cause potential disruption to the daily operations of the Group. The arrangement of upfront payment of entire rent with additional deposits allows the Group to negotiate favorable rental terms for shorter lease term as it is normal market practice to require at least one year of lease term with additional deposit for similar properties in the vicinity of the leased premises. The six months lease term provides more flexibility for our Group to consider other similar properties at more favourable lease terms at the end of the 2024 Supplemental Beijing Huashi Tenancy Agreements without being tied down to longer term commitment. The Board also considers that, compare with normal market practice of one year or longer lease term, the upfront payment of entire rent of six months is economically sensible and will not have material impact on the cash flow of the Group.

The lease of the factory premises under the 2024 Renewed Shine New Material Tenancy Agreement has expired on 30 June 2024. The Company believes that through the leasing of the factory premises to Hilong Shine New Material, the Group is able to continue to achieve use of their resources in a more efficient manner. The rental income received by Hilong Group of Companies Ltd. under the 2024 Supplemental Shine New Material Tenancy Agreement also provides a steady source of revenue to the Group. The arrangement of upfront payment of rental and utility fees from Hilong Shine New Material can mitigate potential risks associated with late or non-payment with upfront payment of entire rents and provide the Group with stable and consistent cash flow without allocating additional resources to search for new lessees.

LETTER FROM THE BOARD

The 2024 Pipeline Tenancy Agreements have expired on 30 June 2024. Hilong Pipeline and Shenglong Oil and Gas have been long-term lessees of the Group. 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 Group of Companies Ltd. under the 2024 Supplemental Pipeline Tenancy Agreements also provides a steady source of revenue to the Group. The arrangement of upfront payment of rental and utility fees from Hilong Pipeline and Shenglong Oil and Gas can mitigate potential risks associated with late or non-payment with upfront payment of entire rents and provide the Group with stable and consistent cash flow without allocating additional resources to search for new lessees. 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.

The Company believes that through the leasing of equipment to Hilong Petroleum Pipeline, the Group can optimize the value of our aging equipment. Having considered the pricing of such equipment to be leased is comparable with that of Independent Third Party vendor in the region, the Company believes it is beneficial for the Group to lease our manufacturing test equipment to Hilong Petroleum Pipeline.

3. INTERNAL CONTROLS FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS

As previously disclosed, the Company has established internal control measures to ensure that (i) the terms of the 2024 Supplemental Tenancy CCT Agreements are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; (ii) the transactions are conducted in accordance with the terms of the 2024 Supplemental Tenancy CCT Agreements; and (iii) do not exceed the respective annual caps.

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 head of the financial department, the head of the marketing department and the head of 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 and ensure compliance with the relevant Listing Rules. Prior to entering into the 2024 Supplemental Tenancy CCT Agreements, the marketing department will closely monitor the prevailing market rent of similar premises in the vicinity of the leased premises. As such, the marketing department of the Group will first obtain quotations from reputable local real estate agents. The CCT IC Committee will then discuss and review the prices and conditions of the leased premises, taking into account other factors such as leased area floor levels and conditions of the leased premises.

LETTER FROM THE BOARD

The financial department of the Company will regularly monitor the 2024 Supplemental Tenancy CCT Agreements on a monthly basis and submit monthly reports to the CCT IC Committee to ensure they are conducted in accordance with their respective terms and conditions.

The independent non-executive Directors will review the continuing connected transactions under the 2024 Supplemental Tenancy CCT Agreements semiannually to check and confirm whether such connected leases 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 connected leases are conducted in accordance with the pricing policies set out by our Group.

4. 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.

Beijing Huashi Investment

Beijing Huashi Investment is an associate of Mr. Zhang and is principally engaged in investment management and sales of petrochemicals. Beijing Huashi Investment is held as to 98.0% by BHH Petroleum Machine Equipment, 1% by Mr. Zhang and 1% by Ms. ZHANG Jingying (“**Ms. Zhang**”), the mother of Mr. Zhang. BHH Petroleum Machine Equipment is a company incorporated in the PRC with limited liability and is held as to approximately 95.65% by Mr. Zhang and approximately 4.35% by Ms. Zhang, the mother of Mr. Zhang. BHH Petroleum Machine Equipment is an associate of Mr. Zhang and principally engaged in investment holding and management.

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 Pipeline

Hilong Pipeline is established in the PRC in 2005 and is principally engaged in the provision of coating services. Hilong Pipeline Group (“**Hilong Pipeline Group**”) consists of Hilong Pipeline and its subsidiaries. Hilong Pipeline Group is

LETTER FROM THE BOARD

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.

Hilong Petroleum Pipeline

Hilong Petroleum Pipeline is incorporated in the Russian Federation in 2017 and is principally engaged in coating service provision. Hilong Petroleum Pipeline is a wholly-owned subsidiary of Hilong Pipeline.

Hilong Oil Service

Hilong Oil Service is an indirect wholly-owned subsidiary of the Company and is principally engaged in the provision of oilfield service.

Hilong Group of Companies Ltd.

Hilong Group of Companies Ltd. is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the distribution of oil and gas equipment.

Hilong Shine New Material

Hilong Shine New Material is an associate of Mr. Zhang and is principally engaged in the manufacture and sales of heavy-duty coating materials. As at the Latest Practicable Date, Hilong Shine New Material is held as to:

- (1) approximately 52.57% by BHH Petroleum Machine Equipment;
- (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 Latest Practicable Date, 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 Latest Practicable Date, 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);

LETTER FROM THE BOARD

- (4) approximately 5.33% by Zibo Juncihongchuang No.1 Equity Investment Fund Partnership (Limited Partnership) (淄博隼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 Latest Practicable Date, the executive partner of Zibo Juncihongchuang is Shanghai Junci Investment Co., Ltd. (上海隼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.

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.

5. LISTING RULES IMPLICATIONS

As of the Latest Practicable Date, the counterparties under the 2024 Supplemental Beijing Huashi Tenancy Agreements, the 2024 Supplemental Shine New Material Tenancy Agreement, the 2024 Supplemental Pipeline Tenancy Agreements and the 2024 Pipeline Petroleum Equipment Lease Agreement are all companies of which a majority of their interests is controlled by Mr. Zhang, a controlling shareholder and a Director. Therefore, the said counterparties are associates of Mr. Zhang and thus connected persons of the Company under Chapter 14A of the Listing Rules.

The existing annual caps of under the 2024 Tenancy CCT Agreements are adjusted to cover the financial year ending 31 December 2024 under the 2024 Supplemental Tenancy CCT Agreements. 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.

LETTER FROM THE BOARD

Given that the 2024 Supplemental Beijing Huashi Tenancy Agreements, the 2024 Supplemental Shine New Material Tenancy Agreement, the 2024 Supplemental Pipeline Tenancy Agreements and the 2024 Pipeline Petroleum Equipment Lease Agreement are entered into by the Group and counterparties who are associates of Mr. Zhang within a 12-month period and are of similar nature, the transactions contemplated under these agreements would have to be aggregated for the purpose of considering the Company's compliance obligations pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. The aggregate proposed annual caps for the transactions contemplated under the 2024 Supplemental Tenancy CCT Agreements for the financial year ending 2024 is RMB38,782,000.

As the highest applicable percentage ratio of the aggregate proposed annual caps exceeds 5%, each of the above continuing connected 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, who has material interests in the 2024 Supplemental Tenancy CCT Agreements, and Ms. ZHANG Shuman and Mr. CAO Hongbo, both are associates of Mr. Zhang for the purpose of Chapter 14A of the Listing Rules, abstained from voting on the board resolutions approving the 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the aggregate annual caps related thereto.

Pursuant to 14A.36 of the Listing Rules, any Shareholder who has a material interest in the 2024 Supplemental Tenancy CCT Agreements shall abstain from voting to approve the 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto at the EGM. As at the Latest Practicable Date, Hilong Group Limited, Younger Investment Limited, North Violet Investment Limited and LongZhi Investment Limited are interested in an aggregate of 827,761,800 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 831,421,800 Shares, representing approximately 49.01% of the total issued Shares of the Company as at the Latest Practicable Date, will be required to abstain from voting on the relevant resolutions at the EGM to approve the 2024 Supplemental Tenancy 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 Supplemental Tenancy CCT Agreements which is different from the other Shareholders.

LETTER FROM THE BOARD

6. EGM

The EGM will be convened and held to consider and, if thought fit, approve the 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

The Independent Board Committee comprising Mr. WANG Tao (王濤), Mr. WONG Man Chung Francis and Mr. SHI Zheyuan, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the 2024 Supplemental Tenancy 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 notice convening the EGM to be held at Conference Room, 6th Floor, Hilong Group of Companies Ltd., No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, China on Monday, 12 August 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Ordinary resolutions will be proposed at the EGM for the purpose of considering and, if thought fit, approving the 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. The voting on the ordinary resolutions to be proposed at the EGM will be taken by way of poll and an announcement will be made by the Company after the EGM on the result of the EGM with respect to whether or not the proposed ordinary resolutions have been passed by the Shareholders.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to read the notice of EGM and to complete the form of proxy enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

7. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 August 2024 to Monday, 12 August 2024, both days inclusive, during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of members of the Company on Monday, 12 August 2024 are entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 August 2024.

LETTER FROM THE BOARD

8. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee on page 27 of this circular, which contains its recommendation to the Independent Shareholders, and the letter of advice from the Independent Financial Adviser on pages 28 to 50 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

Having considered the principal factors and reasons stated in the letter of advice from the Independent Financial Adviser, the Independent Board Committee considers that the 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto are fair and reasonable and on normal commercial terms or better, and such transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I to this circular.

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



Hilong Holding Limited
海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1623)

25 July 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) RENEWAL OF TENANCY AGREEMENTS;
AND
(2) EQUIPMENT LEASE AGREEMENT

We refer to the circular of the Company dated 25 July 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed by the Board to form the Independent Board Committee to advise you in connection with the 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto, details of which are set out in the letter from the Board which is on pages 8 to 26 of the Circular.

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. We wish to draw your attention to their letter of advice which is on pages 28 to 50 of the Circular.

Having considered the principal factors and reasons stated in the letter of advice from the Independent Financial Adviser, we consider that the 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto are fair and reasonable and on normal commercial terms or better, and such transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

Yours faithfully,
Independent Board Committee

Mr. WANG Tao (王濤)
*Independent Non-executive
Director*

Mr. WONG Man Chung Francis
*Independent Non-executive
Director*

Mr. SHI Zheyuan
*Independent Non-executive
Director*

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2024 Supplemental Tenancy CCT Agreements, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

25 July 2024

To the Independent Board Committee and the Independent Shareholders

Hilong Holding Limited
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS (1) RENEWAL OF TENANCY AGREEMENTS; AND (2) EQUIPMENT LEASE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Supplemental Tenancy CCT Agreements and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company dated 25 July 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Since (i) each of the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Renewed Shine New Material Tenancy Agreement and the 2024 Pipeline Tenancy Agreements has expired on 30 June 2024; and (ii) the Company intends to optimize the value of its aging equipment through the leasing of equipment to Hilong Petroleum Pipeline, the Group and the relevant counterparties entered into the 2024 Supplemental Tenancy CCT Agreements for a term of six months commencing from 2024 Supplemental Beijing Huashi Effective Date, 2024 Supplemental Shine New Material Effective Date, 2024 Supplemental Pipeline Effective Date and 2024 Pipeline Petroleum Equipment Effective Date, respectively, to 31 December 2024 (both days inclusive).

As at the Latest Practicable Date, the counterparties under the 2024 Supplemental Tenancy CCT Agreements are all companies of which a majority of their interests is controlled by Mr. Zhang, a controlling shareholder and a Director. Therefore, the said counterparties are associates of Mr. Zhang and thus connected persons of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The existing annual caps of under the 2024 Tenancy CCT Agreements are adjusted to cover the financial year ending 31 December 2024 under the 2024 Supplemental Tenancy CCT Agreements. 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 that the 2024 Supplemental Tenancy CCT Agreements are entered into by the Group and the counterparties who are associates of Mr. Zhang within a 12-month period and are of similar nature, the transactions contemplated under these agreements would have to be aggregated for the purpose of considering the Company's compliance obligations pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. The aggregate proposed annual caps for the transactions contemplated under the 2024 Supplemental Tenancy CCT Agreements for the financial year ending 2024 is RMB38,782,000.

As the highest applicable percentage ratio in respect of the annual caps of the 2024 Supplemental Tenancy CCT Agreements on an aggregate basis exceeds 5%, the continuing connected transactions and the aggregate annual caps contemplated thereunder are subjected to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. WANG Tao (王濤), Mr. WONG Man Chung Francis and Mr. SHI Zheyang, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the 2024 Supplemental Tenancy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. We, 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.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and Mr. Zhang that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the Independent Shareholders of the Company in relation to (i) the very substantial disposal and connected transaction in relation to the disposal of 100% equity interest in Hilong Pipeline, details of which are set out in the circular of the Company dated 31 March 2023; and (ii) the continuing connected transactions in relation to the supplemental coating services and hardbanding services agreement and the renewal of the welding wire supply agreement, details of which are set out in the circular of the Company dated 4 March 2024. Other than that, there was no engagement or connection between the Group or Mr. Zhang and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or Mr. Zhang. Accordingly, we are independent from the Company pursuant to the requirements under Rule 13.84 and therefore are qualified to give independent advice in respect of the 2024 Supplemental Tenancy CCT Agreements and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Hilong Pipeline or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the 2024 Supplemental Tenancy CCT Agreements (including the proposed annual caps), we have taken into account the principal factors and reasons set out below:

1. Information of the Group and the relevant counterparties

(i) Information of 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2022 (“FY2020”, “FY2021” and “FY2022”, respectively) as extracted from the annual reports of the Company for the year ended 31 December 2021 and 2022 (the “2021 Annual Report” and the “2022 Annual Report”, respectively) and the six months ended 30 June 2022 and 2023 (“6M2022” and “6M2023”, respectively) as extracted from the interim report of the Company for 6M2023:

Financial performance

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	2,623,037	2,916,922	3,736,078	1,703,243	2,106,394
– Oilfield equipment manufacturing and services	1,307,131	1,204,759	2,210,065	1,003,136	1,275,106
– Line pipe technology and services	253,839	388,727	354,857	177,271	93,983
– Oilfield services	683,782	845,282	1,057,479	458,544	588,661
– Offshore engineering services	378,285	478,154	113,677	64,292	148,644
Gross profit	693,983	898,319	1,066,919	456,874	661,463
Operating (loss)/profit	(144,233)	460,347	695,191	357,716	438,753
(Loss)/profit attributable to the Shareholders	(298,806)	44,249	140,976	54,058	144,701

The Group’s revenue increased from approximately RMB2,623 million for FY2020 to approximately RMB2,917 million for FY2021. Supported by the gradual pick-up of orders, the three segments oil field services, line pipe technology and services and offshore engineering services achieved revenue growth in varying degrees. The gross profit increased from approximately RMB694 million for FY2020 to approximately RMB898 million for FY2021. The Group achieved turnaround from loss attributable to the Shareholders of approximately RMB299 million for FY2020 to profit of approximately RMB44 million for FY2021 mainly due to (1) the increase in gross profit; (2) net reversal of impairment losses on financial assets of approximately RMB16.8 million for FY2021 as compared to net provision of approximately RMB132 million; and (3) the increase in other gains as a result of the disposal of subsidiaries.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's revenue further increased from approximately RMB2,917 million for FY2021 to approximately RMB3,736 million for FY2022, which was mainly due to the increase in revenue from oilfield equipment manufacturing segment. Revenue from the oilfield equipment manufacturing and services segment increased by approximately 83.4% from RMB1,205 million for FY2021 to RMB2,210 million for FY2022. Such increase primarily reflected the increase in revenue derived from drill pipes sales and OCTG coating services. The gross profit increased from approximately RMB898 million for FY2021 to approximately RMB1,067 million for FY2022. Profit attributable to the Shareholders increased from approximately RMB44 million for FY2021 to approximately RMB141 million for FY2022, which was mainly due to the increase in gross profit.

The Group's revenue increased from approximately RMB1,703 million for 6M2022 to approximately RMB2,106 million for 6M2023, which was mainly attributable to the increase in revenue from the oilfield equipment manufacturing and services segment and oilfield services segment. Revenue from the oilfield equipment manufacturing and services segment increased by approximately 27.1% from RMB1,003 million for 6M2022 to RMB1,275 million for 6M2023, which primarily reflected the increase in revenue derived from drill pipe sales particularly in the PRC market. As a result of the increase in revenue, gross profit of the Group increased from approximately RMB457 million for 6M2022 to approximately RMB589 million for 6M2023, and profit attributable to the Shareholders of the Group increased from approximately RMB358 million for 6M2022 to approximately RMB439 million for 6M2023.

On 31 March 2023, the Group entered into agreement with Hilong Group for the disposal of Hilong Pipeline. Following the completion of the disposal, the Group ceased to engage in the provision of coating services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (unaudited)
Non-current assets, including:	3,277,039	2,945,299	3,187,536	3,217,678
– Property, plant and equipment	2,619,526	2,381,624	2,533,230	2,580,892
Current assets, including:	4,093,318	4,126,507	4,613,491	4,927,765
– Inventories	1,001,255	1,050,881	1,174,154	1,342,553
– Trade and other receivables	1,682,031	1,663,545	1,784,960	1,905,643
Total assets	7,370,357	7,071,806	7,801,027	8,145,443
Current liabilities, including:	4,124,506	1,504,120	1,787,101	2,031,910
– Trade and other payables	906,793	736,348	1,033,268	1,329,287
– Borrowings	3,101,841	607,352	569,197	587,555
Non-current liabilities, including:	127,553	2,524,859	2,658,952	2,664,746
– Borrowings	23,674	2,432,509	2,546,163	2,552,844
Total liabilities	4,252,059	4,028,979	4,446,053	4,696,656
Net assets	3,118,298	3,042,827	3,354,974	3,448,787
Equity attributable to the Shareholders	3,074,472	3,015,479	3,323,186	3,411,666

As at 30 June 2023, total assets of the Group were approximately RMB8,145 million, which mainly consisted of (1) property, plant and equipment of approximately RMB2,581 million; (2) inventories of approximately RMB1,342 million; and (3) trade and other receivables of approximately RMB1,906 million.

As at 30 June 2023, total liabilities of the Group were approximately RMB4,696 million, which mainly consisted of (1) borrowings of approximately RMB3,140 million; and (2) trade and other payables of approximately RMB1,329 million.

The Group's equity attributable to the Shareholders increased from approximately RMB3,323 million as at 31 December 2022 to approximately RMB3,412 million as at 30 June 2023, mainly due to the net profit for 6M2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Information of the relevant counterparties

Beijing Huashi Investment is an associate of Mr. Zhang and is principally engaged in investment management and sales of petrochemicals.

Hilong Shine New Material is an associate of Mr. Zhang and is principally engaged in the manufacture and sales of heavy-duty coating materials.

Hilong Pipeline is established in the PRC in 2005 and is principally engaged in the provision of coating services. 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.

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

Hilong Petroleum Pipeline is incorporated in the Russian Federation in 2017 and is principally engaged in coating service provision. Hilong Petroleum Pipeline is a wholly-owned subsidiary of Hilong Pipeline.

2. Reasons for and benefits of entering into the 2024 Supplemental Tenancy CCT Agreements

The Group has been leasing premises from Beijing Huashi Investment for use as offices, and has practical needs to continue to lease such office premises. The leases of the office premises under the 2024 Renewed Beijing Huashi Tenancy Agreements has expired on 30 June 2024. The Company believes that it is time and cost efficient for the Group to continue to lease the premises under the 2024 Supplemental Beijing Huashi Tenancy Agreements rather than seeking for alternative locations, which would incur unnecessary moving costs and cause potential disruption to the daily operations of the Group. The arrangement of upfront payment of entire rent with additional deposits allows the Group to negotiate favorable rental terms for shorter lease term as it is normal market practice to require at least one year of lease term with additional deposit for similar properties in the vicinity of the leased premises. The six months lease term provides more flexibility for the Group to consider other similar properties at more favourable lease terms at the end of the 2024 Supplemental Beijing Huashi Tenancy Agreements without being tied down to longer term commitment. The Board also considers that, compare with normal market practice of one year or longer lease term, the upfront payment of the entire rent of six months is economically sensible and will not have material impact on the cash flow of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The lease of the factory premises under the 2024 Renewed Shine New Material Tenancy Agreement has expired on 30 June 2024. The Company believes that through the leasing of the factory premises to Hilong Shine New Material, the Group is able to continue to achieve use of their resources in a more efficient manner. The rental income received by Hilong Group of Companies Ltd. under the 2024 Supplemental Shine New Material Tenancy Agreement also provides a steady source of revenue to the Group. The arrangement of upfront payment of rental and utility fees from Hilong Shine New Material can mitigate potential risks associated with late or non-payment with upfront payment of entire rents and provide the Group with stable and consistent cash flow without allocating additional resources to search for new lessees.

The 2024 Pipeline Tenancy Agreements has expired on 30 June 2024. Hilong Pipeline and Shenglong Oil and Gas have been long-term lessees of the Group. 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 Group of Companies Ltd. under the 2024 Supplemental Pipeline Tenancy Agreements also provides a steady source of revenue to the Group. The arrangement of upfront payment of rental and utility fees from Hilong Pipeline and Shenglong Oil and Gas can mitigate potential risks associated with late or non-payment with upfront payment of entire rents and provide the Group with stable and consistent cash flow without allocating additional resources to search for new lessees. Also, 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.

The Company believes that through the leasing of equipment to Hilong Petroleum Pipeline, the Group can optimize the value of its aging equipment. Having considered the pricing of such equipment to be leased is comparable with that of Independent Third Party vendor in the region, the Company believes it is beneficial for the Group to lease such manufacturing test equipment to Hilong Petroleum Pipeline.

With reference to the announcements of the Company dated 30 December 2013, 27 June 2018, 27 June 2023 and the Letter from the Board, (i) Hilong Oil Service has been leasing premises located at Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, the PRC from Beijing Huashi Investment as its office since 28 February 2011; (ii) Hilong Shine New Material has been leasing factory premises located at No. 1825, Luodong Road, Baoshan District, Shanghai, the PRC from the Group since 30 June 2018; and (iii) Hilong Pipeline and Shenglong Oil and Gas have been leasing factory premises located at No. 1825, Luodong Road, Baoshan District, Shanghai, the PRC since 1 January 2023 from the Group following the Group's disposal of 100% equity interest in Hilong Pipeline. Taking into account (i) each of the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Renewed Shine New Material Tenancy Agreement and the 2024 Pipeline Tenancy Agreements has expired on 30 June 2024; (ii) by entering into the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Renewed Shine New Material Tenancy Agreement and the 2024 Pipeline Tenancy Agreements, the Group will be able to save the time and reduce the costs that may be required to find suitable premises for relocation and new lessees to utilise the Group's vacant premises; (iii) through the leasing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of equipment to Hilong Petroleum Pipeline, the Group can make full use of idle equipment; and (iv) as discussed in the section headed “3. Principal terms of the 2024 Supplemental Tenancy CCT Agreements”, the rentals under the 2024 Supplemental Tenancy CCT Agreements are fair and reasonable, we consider the entering into of 2024 Supplemental Tenancy CCT Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 2024 Supplemental Tenancy CCT Agreements

Details of the terms of 2024 Supplemental Tenancy CCT Agreements are set out in the sections headed “Continuing Connected Transactions” in the Letter from the Board. Set out below are the principal terms of the 2024 Supplemental Tenancy CCT Agreements:

(i) 2024 Supplemental Beijing Huashi Tenancy Agreements

Date:	18 July 2024			
Term:	The period commencing from 2024 Supplemental Beijing Huashi Effective Date, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving the 2024 Supplemental Beijing Huashi Tenancy Agreements, the transactions contemplated thereunder and the proposed revised annual cap, whichever is later, to 31 December 2024 (both days inclusive)			
	2024 Supplemental Beijing Huashi Tenancy Agreement No. 1	2024 Supplemental Beijing Huashi Tenancy Agreement No. 2	2024 Supplemental Beijing Huashi Tenancy Agreement No. 3	2024 Supplemental Beijing Huashi Tenancy Agreement No. 4
Lessor:	Beijing Huashi Investment	Beijing Huashi Investment	Beijing Huashi Investment	Beijing Huashi Investment
Lessee:	Hilong Oil Service	Hilong Oil Service	Hilong Oil Service	Hilong Oil Service

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Leased premises:	20/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC	Room 502, 5/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC	Room 503-1, 5/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC	Room 501, 5/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC
Leased area:	1,850.32 square metres	476.99 square metres	126.12 square metres	276.74 square metres
Monthly rental:	RMB644,412.49 per month excluding utility fees (equivalent to approximately RMB11.6 per square metre per day)	RMB160,608.50 per month excluding utility fees (equivalent to approximately RMB11.2 per square metre per day)	RMB30,650.84 per month excluding utility fees (equivalent to approximately RMB8.1 per square metre per day)	RMB93,434.34 per month excluding utility fees (equivalent to approximately RMB11.3 per square metre per day)
Rental deposits:	RMB1,288,824.98	RMB321,217	RMB61,301.68	RMB186,868.68
Usage:	Office	Office	Office	Office
Payment:	The total rental of RMB5,574,637.02 is payable by Hilong Oil Service in full together with the rental deposits on the date of the 2024 Supplemental Beijing Huashi Tenancy Agreements.			
Renewal of leases:	Prior to the expiration of the term of the 2024 Supplemental Beijing Huashi Tenancy Agreements, the parties may enter into renewal agreement(s) subject to negotiations of the parties upon Hilong Oil Service's request to renew the 2024 Supplemental Beijing Huashi Tenancy Agreements and compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules).			

With reference to the Letter from the Board, in arriving at the monthly rental, the Directors have considered: (i) the historical rental amounts payable by Hilong Oil Service under the 2024 Renewed Beijing Huashi Tenancy Agreements for the six months ended 30 June 2024 with the unit rental price of RMB340.31 per square meter per month, which is the same as the proposed rental amount under the 2024 Supplemental Beijing Huashi Tenancy Agreements; (ii) superior location of the premises to be leased under the 2024 Supplemental Beijing Huashi Tenancy Agreements in Sanlitun (三里屯), which is a popular destination for shopping and dining in Beijing with high rental demand; (iii) the condition of the premises to be

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

leased including the interior design and decorations; (iv) rental levels of similar properties in the vicinity of the leased premises (taking into account factors such as leased areas and floor levels); (v) discount and credit term on property management fee; (vi) naming right of the building, being the right of use granted by the lessor for free; and (vii) the prevailing market rents with respect to the premises to be leased, which is obtainable as public information from the online rental platforms.

As advised by the management of the Group, the Group did not enter into any tenancy agreements of similar type with independent third parties, either as lessor or lessee. In assessing whether the terms of the 2024 Supplemental Beijing Huashi Tenancy Agreements are fair and reasonable, we have reviewed the industry report on Grade A office market in Beijing for the first quarter of 2024 issued by Knight Frank, a leading independent real estate consultancy (<https://content.knightfrank.com/research/1527/documents/zh-chs/bei-jing-xie-zi-lou-shi-chang-bao-gao-2024nian-q1-11099.pdf>) and we noted that the average rental in the area where the properties under the 2024 Supplemental Beijing Huashi Tenancy Agreements are located was approximately RMB10.9 per square metre per day in the first quarter of 2024. The rentals of 2024 Supplemental Beijing Huashi Tenancy Agreements No. 1, No. 2 and No. 4 are close to the average market rental. As advised by the management of the Group, the relatively lower rental of 2024 Supplemental Beijing Huashi Tenancy Agreement No. 3 is mainly due to that the premises was a shared office and Hilong Oil Service only occupies part of the premises and needs to share areas such as entrance and pantry with other occupants.

Regarding the payment terms of the 2024 Supplemental Beijing Huashi Tenancy Agreements, we have independently searched on the website of Anjuke, a leading real estate brokerage website in the PRC, for comparable properties with similar uses and we noted that (i) it's a normal market practice to require a deposit equal to one to three times of the monthly rental which is in line with the deposit required under the 2024 Supplemental Beijing Huashi Tenancy Agreements; and (ii) the lessors normally require a lease term of at least one year. Taking into account the lease term of each of the 2024 Supplemental Beijing Huashi Tenancy Agreements is only six months, we consider it is acceptable to pay the total rental in advance. Based on the above, we consider the terms of the 2024 Supplemental Beijing Huashi Tenancy Agreements are on normal commercial terms which are fair and reasonable.

(ii) 2024 Supplemental Shine New Material Tenancy Agreement

Date: 18 July 2024

Term: The period commencing from 2024 Supplemental Shine New Material Effective Date, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving the 2024 Supplemental Shine New Material Tenancy Agreement, the transaction contemplated thereunder and the proposed revised annual cap, whichever is later, to 31 December 2024 (both days inclusive)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lessor:	Hilong Group of Companies Ltd.
Lessee:	Hilong Shine New Material
Premises:	Factory premises located at No. 1825, Luodong Road, Baoshan District, Shanghai, PRC
Leased area:	22,135.46 square meters
Monthly rental:	RMB358,574.99 per month (equivalent to approximately RMB0.5 per square metre per day). Accordingly, the total rental to be received by Hilong Group of Companies Ltd under the agreement is RMB2,151,449.95.
Utility fees:	RMB192,916.67 per month, which consists of water and electricity fees. Accordingly, the total utility fees to be received by Hilong Group of Companies Ltd under the agreement is RMB1,157,500.
Usage:	Manufacturing plant
Payment:	The total rental and utility fees in the amount of RMB3,308,949.95 is payable by Hilong Shine New Material within 15 days from the date of the 2024 Supplemental Shine New Material Tenancy Agreement.
Renewal of leases:	Subject to compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules) and negotiation of the parties, Hilong Shine New Material has the option to renew the 2024 Supplemental Shine New Material Tenancy Agreement by giving 60 days' prior written notice to Hilong Group of Companies Ltd. before the expiration of the 2024 Supplemental Shine New Material Tenancy Agreement. New tenancy agreements or renewal agreements may be entered into by the parties.

With reference to the Letter from the Board, the terms of the 2024 Supplemental Shine New Material Tenancy Agreement was determined on an arm's length basis and normal commercial terms taking into account: (i) the historical rental amounts payable by Hilong Shine New Material under the 2024 Renewed Shine New Material Tenancy Agreement for the six months ended 30 June 2024, which was RMB17.88 per square meter per month, representing a decrease of approximately 9.42% for the proposed unit rental price under the 2024

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Supplemental Shine New Material Tenancy Agreement. The decrease in rental amounts is due to the fact that part of the rental area is no longer leased by Shine New Material which results in overall decrease in unit rental price to reflect the decrease in leased area; (ii) the maintenance costs of the premises to be leased, such as the costs of roof reinforcement and cost of waterproofing, which will be borne by the lessee; (iii) the location of the premises to be leased, which is relatively remote and is inconvenient in traffic; (iv) low customized requirements, being no stringent requirements for air cleanliness and green coverage rate; (v) the floor area, structure and type of the premises to be leased; (vi) construction cost of the premises to be leased; and (vii) the prevailing market rents with respect to the premises to be leased, which is obtainable as public information from the surrounding rental market and after consulting the advices of several reputable local real estate agents. The utility fees are determined by reference to the latest charging rates of the respective utilities as set by the government or the utilities suppliers and the estimated consumption level of Hilong Shine New Material.

As advised by the management of the Group, the Group did not enter into any tenancy agreements of similar type with independent third parties, either as lessor or lessee. In assessing whether the terms of the 2024 Supplemental Shine New Material Tenancy Agreement are fair and reasonable, we have independently searched on the website of Anjuke, a leading real estate brokerage website in the PRC, for comparable properties with similar uses and locations and we noted that (i) the rentals charged by the Group are lower than the market rental range of approximately RMB0.8 to RMB1.1 per square metre per day and the median market rental of approximately RMB0.8 per square metre per day; and (ii) the lessors normally require a lease term of at least one year. As advised by the management of the Group, the relatively lower rental charged by the Group are mainly due to that (i) the Group's plants under the 2024 Supplemental Shine New Material Tenancy Agreement were built in 2009 and had lower construction standards than the surrounding new plants, which were mostly constructed in around 2013 to 2015; and (ii) while the repair and maintenance costs are normally borne by the lessor, Hilong Shine New Material as lessee is responsible for the repair and maintenance costs of the plants under the 2024 Supplemental Shine New Material Tenancy Agreement. In this regard, we were advised that the average aggregate repair and maintenance cost borne by Hilong Shine New Material, Hilong Pipeline and Shenglong Oil and Gas in the past two years amounted to approximately RMB3.5 million per year. In order to assess the fairness and reasonableness of the estimated annual repair and maintenance cost, we have obtained and reviewed (i) the breakdown of the repair and maintenance cost by the repair and maintenance projects carried out in 2023; and (ii) the framework agreements entered into by Hilong Shine New Material, Hilong Pipeline and Shenglong Oil and Gas with the supplier for the repair and maintenance services in 2023. Based on the breakdown, we have randomly selected four repair and maintenance projects which in aggregate amount to approximately RMB1.1 million and obtained their respective invoices, and we noted that the invoices were consistent with the breakdown. In view of the estimated repair and maintenance cost of RMB3.5 million was based on actual historical amount, we consider the estimation to be fair and reasonable. After adding back the repair and maintenance costs, the rental under the 2024 Supplemental Shine New Material

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Tenancy Agreement would amount to approximately RMB0.78 per square metre per day, which is close to the median market rental. In addition, the Company would save the hassle and administrative costs for conducting the repair and maintenance for the factory. Taking into account the lease term of the 2024 Supplemental Shine New Material Tenancy Agreement is only six months, we consider it is reasonable to charge the total rental in advance.

Regarding the utility fee under the 2024 Supplemental Shine New Material Tenancy Agreement, we have obtained and reviewed the breakdown of the estimated utility fees. We noted that the estimated electricity fee for the six months ending 31 December 2024 was approximately RMB1.15 million, which was determined with reference to (i) the historical electricity fee for the six months ended 31 December 2023 of approximately RMB0.93 million; and (ii) an expected growth rate of approximately 23.6% due to the expected increase of business activity of Hilong Shine New Material based on its existing orders in 2024. The estimated water fee for the six months ending 31 December 2024 was approximately RMB7,500, which was determined with reference to the historical water fee for the year ended 31 December 2023 of approximately RMB15,000.

Based on the above, we consider the terms of the 2024 Supplemental Shine New Material Tenancy Agreement are on normal commercial terms which are fair and reasonable.

(iii) 2024 Supplemental Pipeline Tenancy Agreements

Date:	18 July 2024		
Term:	The period commencing from 2024 Supplemental Pipeline Effective Date, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving the 2024 Supplemental Pipeline Tenancy Agreements, the transactions contemplated thereunder and the proposed revised annual cap, whichever is later, to 31 December 2024 (both days inclusive)		
	2024 Supplemental Pipeline Tenancy Agreement No. 1	2024 Supplemental Pipeline Tenancy Agreement No. 2	2024 Supplemental Pipeline Tenancy Agreement No. 3
Lessor:	Hilong Group of Companies Ltd.	Hilong Group of Companies Ltd.	Technomash
Lessee:	Hilong Pipeline	Shenglong Oil and Gas	Drilling Technology

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Leased premises:	Premises in D plant, F plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC	Premises in F plant, G plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC	Premises in 47/1, 10A, 10B and 10C, Demyan Bedny Street, Nevyansk, Sverdlovsk Region, Russian Federation
Leased area:	14,617.06 square meters	3,862.22 square meters	19,640.87 square meters
Monthly rental:	RMB241,418.24 per month (equivalent to approximately RMB0.6 per square metre per day)	RMB52,790.41 per month (equivalent to approximately RMB0.5 per square metre per day)	RUB9,366,229.50 per month (equivalent to approximately RUB15.9 per square metre per day and approximately RMB756,561.35 per month) (inclusive of water and electricity fees)
Utility fees:	RMB995,983.33 per month, which consists of water and electricity fees. Accordingly, the total utility fees to be received by Hilong Group of Companies Ltd. under the agreement is RMB5,975,900.	RMB4,029 per month, which consists of water and electricity fees. Accordingly, the total utility fees to be received by Hilong Group of Companies Ltd. under the agreement is RMB24,174.	
Usage:	Office use and manufacturing plant		

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment:	The total rental and utility fees in the amount of RMB7,424,409.44 is payable in full by the lessee to the lessor within 15 days from the date of the agreement.	The total rental and utility fees in the amount of RMB340,916.46 is payable in full by the lessee to the lessor within 15 days from the date of the agreement.	The monthly rental is payable on a monthly basis by the end of the preceding month. The total rental under the agreement is RUB56,197,377 (equivalent to approximately RMB4,539,368.09).
-----------------	--	--	--

Renewal of leases: Subject to compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules), the lessee has the option to renew the leases by giving 60 days' prior written notice to the lessor before the expiration of the lease. New tenancy agreements or renewal agreements may be entered into by the parties.

With reference to the Letter from the Board, the terms of the 2024 Supplemental Pipeline Tenancy Agreements were determined on an arm's length basis and normal commercial terms taking into account: (i) the historical rental amounts payable by Hilong Pipeline and Shenglong Oil and Gas to Hilong Group of Companies Ltd. and Drilling Technology to Technomash under the 2024 Pipeline Tenancy Agreement No. 1, 2024 Pipeline Tenancy Agreement No. 2 and 2024 Pipeline Tenancy Agreement No. 3 for the six months ended 30 June 2024, which was RMB16.52, RMB13.18 and RMB35.13 per square meter per month respectively. The proposed rental amount of the 2024 Supplemental Pipeline Tenancy Agreement No. 1 is the same as the rental amount under the 2024 Pipeline Tenancy Agreement No. 1 and the proposed unit rental price of the 2024 Supplemental Pipeline Tenancy Agreement No. 2 is comparable to the 2024 Pipeline Tenancy Agreement No. 2, representing a slight increase of 3.67% for the new tenancy agreement. The proposed unit rental price under the 2024 Supplemental Pipeline Tenancy Agreement No. 3 has increased by 9.64% as compare to the 2024 Pipeline Tenancy Agreement No. 3 to reflect an increase in the projected consumption of water and electricity for the six months ending 31 December 2024, which aligns with regular course of the Group's business operations; (ii) the maintenance costs of the premises to be leased, such as the costs of roof reinforcement and cost of waterproofing, which will be borne by the lessee; (iii) the location of the premises to be leased, which is relatively remote and is inconvenient in traffic; (iv) low customized requirements, being no stringent requirements for air cleanliness and green coverage rate; (v) the floor area, structure and type of the premises to be leased; (vi) construction cost of the premises to be leased; and (vii) the prevailing market rents with respect to the premises to be leased, which is obtainable as public information from the surrounding rental market and after consulting the advices of several reputable local real estate agents. The utility fees are determined by reference to the latest charging rates of the respective utilities as set by the government or the utilities suppliers and the estimated consumption level of Hilong Pipeline and Shenglong Oil and Gas.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Group, the Group did not enter into any tenancy agreements of similar type with independent third parties, either as lessor or lessee. In assessing whether the terms of the 2024 Supplemental Pipeline Tenancy Agreements No. 1 and No. 2 are fair and reasonable, we have independently searched on the website of Anjuke, a leading real estate brokerage website in the PRC, for comparable properties with similar uses and locations and we noted that (i) the rentals charged by the Group are lower than the market rental range of approximately RMB0.8 to RMB1.1 per square metre per day and the median market rental of approximately RMB0.8 per square metre per day; and (ii) the lessors normally require a lease term of at least one year. As advised by the management of the Group, the relatively lower rental charged by the Group are mainly due to that (i) the Group's plants under the 2024 Supplemental Pipeline Tenancy Agreements No. 1 and No. 2 were built in 2009 and had lower construction standards than the surrounding new plants, which were mostly constructed in around 2013 to 2015; and (ii) while the repair and maintenance costs are normally borne by the lessor, Hilong Pipeline and Shenglong Oil and Gas as lessees are responsible for the repair and maintenance costs of the plants under the 2024 Supplemental Pipeline Tenancy Agreements No. 1 and No. 2. In this regard, we were advised that the average aggregate repair and maintenance cost borne by Hilong Shine New Material, Hilong Pipeline and Shenglong Oil and Gas in the past two years amounted to approximately RMB3.5 million per year. After adding back the repair and maintenance costs, the rental under the 2024 Supplemental Pipeline Tenancy Agreements No. 1 and No. 2 would amount to approximately RMB0.79 and RMB0.69 per square metre per day respectively, which is close to the median market rental. Although the rental of RMB0.69 per square metre per day represents a discount of 13.75% to the median market rental, the Company would save the time, human resources and administrative costs for conducting and managing the repair and maintenance for the factory, which is advantageous to the Company and justified for the lower rental. Taking into account the lease term of the 2024 Supplemental Pipeline Tenancy Agreement No. 1 and No. 2 is only six months, we consider it is reasonable to charge the total rental in advance.

Regarding the utility fees under the 2024 Supplemental Shine New Material Tenancy Agreement, we have obtained and reviewed the breakdown of the estimated utility fees. We noted the estimated average unit price of electricity for the six months ending 31 December 2024 of RMB1.1 per kWh was determined with reference to (i) the average unit price of electricity price for the four months ended 30 April 2024 of approximately RMB0.96 per kWh; and (ii) the higher electricity price in the summer due to increased usage of air conditioning. The estimated unit price of water for the six months ending 31 December 2024 of RMB5.9 per ton is in line with the actual unit price of water for the four months ended 30 April 2024. As advised by the management of the Group, the estimated electricity and water consumption were provided by Hilong Pipeline and Shenglong Oil and Gas based on their production plan.

As for the 2024 Supplemental Pipeline Tenancy Agreement No. 3, we have independently searched on the website of Cian, a leading real estate brokerage website in Russia, for comparable properties with similar uses and locations and we

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

noted that the rental charged by Technomash of approximately RUB15.9 per square metre per day is lower than the median of the market rentals of approximately RUB18.9 per square metre per day and is more favourable to the Group. As the average is affected by outliers, we consider using median to measure central tendency and benchmark rentals is fair and reasonable. Given the Group does not need to pay deposit to Technomash and the rental will be paid on a monthly basis, we consider the payment terms of the 2024 Supplemental Pipeline Tenancy Agreement No. 3 is favourable to the Group.

Based on the above, we consider the terms of the 2024 Supplemental Pipeline Tenancy Agreements are on normal commercial terms which are fair and reasonable.

(iv) 2024 Pipeline Petroleum Equipment Lease Agreement

Date:	18 July 2024
Term:	The period commencing from 2024 Pipeline Petroleum Equipment Effective Date, being (i) 1 July 2024; or (ii) the date of passing by the Independent Shareholders at the EGM of ordinary resolution(s) approving the 2024 Pipeline Petroleum Equipment Lease Agreement, the transaction contemplated thereunder and the proposed annual cap, whichever is later, to 31 December 2024 (both days inclusive)
Lessor:	Drilling Technology
Lessee:	Hilong Petroleum Pipeline
Subject Matter:	Manufacturing test equipment for production of drill pipes
Monthly rental:	RUB22,600 (equivalent to approximately RMB1,825.53)
Payment	The monthly rental is payable on a monthly basis by the end of the preceding month. The total rental under the agreement is RUB135,600 (equivalent to approximately RMB10,953.15).
Renewal of leases:	Subject to compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules), the lessee has the option to renew the lease by giving 60 days' prior written notice to the lessor before the expiration of the lease. Renewal agreements may be entered into by the parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Letter from the Board, the terms of the 2024 Pipeline Petroleum Equipment Lease Agreement was determined on an arm's length basis and normal commercial terms taking into account: (i) the conditions of the equipment to be leased to Hilong Petroleum Pipeline, which has been used for more than two years with low production efficiency; (ii) the rental amount of the equipment to be leased remain similar to the prevailing market price, despite their relatively less efficient conditions; and (iii) the prevailing market rates with reference to prices quoted by Independent Third Parties which provide similar equipment, which is obtainable as public information from the online rental platforms.

As advised by the management of the Group, Drilling Technology did not lease any manufacturing test equipment for production of drill pipes to independent third parties and the rental under the 2024 Pipeline Petroleum Equipment Lease Agreement is determined with reference to the depreciation of the relevant manufacturing test equipment. In assessing whether the terms of 2024 Pipeline Petroleum Equipment Lease Agreement are fair and reasonable, we have obtained the fixed assets register of Drilling Technology and we noted the depreciation of the manufacturing test equipment to be leased to Hilong Petroleum Pipeline was approximately RUB19,000 per month for the five months ended 31 May 2024. The rental thus represents a premium of approximately 18.9% over the average depreciation per month. Taking into account the condition of the equipment to be leased to Hilong Petroleum Pipeline, which has been used for more than two years with low production efficiency, we consider the rental to be acceptable. The rental is payable on a monthly basis which is in line with the market practice for equipment leasing. Based on the above, we consider the terms of 2024 Pipeline Petroleum Equipment Lease Agreement are on normal commercial terms which are fair and reasonable.

4. Internal control measures of the Group

The Company has established internal control measures to ensure that (i) the terms of the 2024 Supplemental Tenancy CCT Agreements are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; (ii) the transactions are conducted in accordance with the terms of the 2024 Supplemental Tenancy CCT Agreements; and (iii) do not exceed the respective annual caps. 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 head of the financial department, the head of the marketing department and the head of 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 and ensure compliance with the relevant Listing Rules. Prior to entering into the 2024 Supplemental Tenancy CCT Agreements, the marketing department will closely monitor the prevailing market rent of similar premises in the vicinity of the leased premises. As such, the marketing department of the Group will first obtain quotations from reputable local real estate agents. The CCT IC Committee will then discuss and review the prices and conditions of the leased premises, taking into account other factors such as leased area, floor levels and conditions of the leased premises.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The financial department of the Company will regularly monitor the 2024 Supplemental Tenancy CCT Agreements on a monthly basis and submit monthly reports to the CCT IC Committee to ensure they are conducted in accordance with their respective terms and conditions.

As mentioned in the section headed “3. Principal terms of the 2024 Supplemental Tenancy CCT Agreements”, we have (i) reviewed the industry report on Grade A office market in Beijing for the first quarter of 2024 issued by Knight Frank and noted the rentals of the 2024 Supplemental Beijing Huashi Tenancy Agreements are generally in line with the average market rental in the nearby area; (ii) independently searched on the website of Anjuke and noted the 2024 Supplemental Shine New Material Tenancy Agreement and the 2024 Supplemental Pipeline Tenancy Agreements No. 1 and No. 2 are generally in line with the median market rental after adding back the repair and maintenance costs; (iii) independently search on the website of Cian and noted the rental under the 2024 Supplemental Pipeline Tenancy Agreement No. 3 is lower than the median of the market rentals and is more favourable to the Group; and (iv) obtained and reviewed the fixed assets register of Drilling Technology and noted the rental under the 2024 Supplemental Pipeline Equipment Lease Agreement represents a premium of approximately 18.9% over the average depreciation of the relevant manufacturing test equipment per month which is acceptable considering the condition of the equipment.

Taking into account (i) based on our above review, we consider the terms of the 2024 Supplemental Tenancy CCT Agreements are on normal commercial terms which are fair and reasonable; (ii) the ongoing monitoring of the transactions under the 2024 Supplemental Tenancy CCT Agreements; and (iii) the requirements under the Listing Rules for the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the transactions under the 2024 Supplemental Tenancy CCT Agreements and the annual caps thereunder, we concur with the Board that appropriate and adequate procedures are in place to ensure that the transactions contemplated under the 2024 Supplemental Tenancy CCT Agreements will be appropriately monitored and conducted on commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Assessment of the proposed annual caps

(i) Review of the historical figures

The historical transaction amounts relating to the 2024 Supplemental Tenancy CCT Agreements for the year ended 31 December 2023 and the six months ended 30 June 2024, and the existing annual caps for the six months ended 30 June 2024 and the proposed caps for the six months ending 31 December 2024 are set out in the table below:

	Historical transaction amount for the year ended 31 December 2023 RMB	Historical transaction amount for the six months ended 30 June 2024 RMB	Existing annual cap for the period from 1 January 2024 to 30 June 2024 RMB'000	Proposed annual cap for the period from 1 July 2024 to 31 December 2024 RMB'000
2023 and 2024				
Renewed Beijing Huashi Tenancy Agreements	11,149,274	5,574,637	5,575	5,575
– Monthly rental	929,106	929,106		929
2023 and 2024				
Renewed Shine New Material Tenancy Agreements	3,305,178	3,411,597	3,412	3,309
– Monthly rental	275,431	568,599		552
2023 and 2024				
Renewed Pipeline Tenancy Agreements	6,033,171	8,589,106	8,590	12,310
– Monthly rental	502,764	1,431,517		2,052
2024 Pipeline				
Petroleum Equipment Lease Agreement	–	–	–	11
– Monthly rental	–	–		2

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The monthly rental under the 2024 Renewed Beijing Huashi Tenancy Agreements was same as the monthly rental under the 2023 Renewed Beijing Huashi Tenancy Agreements. The monthly rental under the 2024 Renewed Shine New Material Tenancy Agreement increased to RMB568,599 for the six months ended 30 June 2024, mainly due to the new properties leased to Shine New Material's research institution in 2024. The monthly rental under the 2024 Pipeline Tenancy Agreement increased to RMB1,431,517 per month, mainly due to the inclusion of utility fees in 2024. The monthly rental under the 2024 Supplemental Pipeline Tenancy Agreement is expected to increase due to the expected higher electricity price in the summer as a result of the increased usage of air conditioning.

(ii) Assessment of the proposed annual caps

The annual cap of each of the 2024 Supplemental Tenancy CCT Agreements equals to the total rental under the respective agreement, which are generally in line with the rent paid for the six months ended 30 June 2024.

As mentioned in the section headed "3. Principal terms of the 2024 Supplemental Tenancy CCT Agreements", we have (i) reviewed the industry report on Grade A office market in Beijing for the first quarter of 2024 issued by Knight Frank and noted the rentals of the 2024 Supplemental Beijing Huashi Tenancy Agreements are generally in line with the average market rental in the nearby area; (ii) independently searched on the website of Anjue and noted the 2024 Supplemental Shine New Material Tenancy Agreement and the 2024 Supplemental Pipeline Tenancy Agreements No. 1 and No. 2 are generally in line with the median market rental after adding back the repair and maintenance costs; (iii) independently search on the website of Cian and noted the rental under the 2024 Supplemental Pipeline Tenancy Agreement No. 3 is lower than the median of the market rentals and is more favourable to the Group; and (iv) obtained and reviewed the fixed assets register of Drilling Technology and noted the rental under the 2024 Supplemental Pipeline Equipment Lease Agreement represents a premium of approximately 18.9% over the average depreciation of the relevant manufacturing test equipment per month which is acceptable considering the condition of the equipment. As such, we consider the annual cap of each of the 2024 Supplemental Tenancy CCT Agreements is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the 2024 Supplemental Tenancy CCT Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the 2024 Supplemental Tenancy CCT Agreements (including the proposed annual caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM to approve 2024 Supplemental Tenancy CCT Agreements (including the proposed annual caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(A) DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at the Latest Practicable Date, save as disclosed below, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules ("**Model Code**"):

(a) Long positions in the Shares of the Company

Name of Director	Capacity	Number of Shares interested	Approximate percentage in the issued share capital of the Company
Mr. Zhang Jun	Founder and beneficiary of Mr. Zhang's trust/Interest of controlled corporation	715,461,000 ⁽¹⁾	
	Founder and beneficiary of three Mr. Zhang's family trusts/Interest of controlled corporation	112,300,800 ⁽²⁾	
	Beneficial owner	<u>1,260,000</u>	
		829,021,800	48.868%
Ms. Zhang Shuman	Interest of controlled corporation	24,300,000 ⁽³⁾	
	Beneficial owner	<u>692,000</u>	
		24,992,000	1.473%
Mr. Cao Hongbo	Beneficial owner	1,708,000	0.101%
Mr. Wong Man Chung Francis	Beneficial owner	1,288,000	0.076%
Mr. Wang Tao (汪濤)	Beneficial owner	1,200,000	0.071%
Dr. Yang Qingli	Interest of spouse	77,000 ⁽⁴⁾	0.005%

Notes:

- (1) These shares are held by Hilong Group Limited, the entire share capital of which is held by SCTS Capital Pte. Ltd. which is then wholly-owned by Standard Chartered Trust (Singapore) Limited as the trustee of Mr. Zhang's trust. As Mr. Zhang Jun is the founder and beneficiary of Mr. Zhang's trust as well as the sole director of Hilong Group Limited, he is deemed to be interested in these shares.

- (2) 24,300,000 shares, 24,000,000 shares and 64,000,800 shares are held by Younger Investment Limited, North Violet Investment Limited and LongZhi Investment Limited respectively, the entire share capital of each of which is held by SCTS Capital Pte Ltd. which is then wholly-owned by Standard Chartered Trust (Singapore) Limited as trustees of three Mr. Zhang's family trusts. As Mr. Zhang Jun is the founder and one of the beneficiaries of these three Mr. Zhang's family trusts as well as the sole director of North Violet Investment Limited and LongZhi Investment Limited, he is deemed to be interested in these shares.
- (3) These shares are held by Younger Investment Limited of which Ms. Zhang Shuman is the sole director. Ms. Zhang Shuman is therefore deemed to be interested in these shares.
- (4) These shares are held by Ms. Gao Chunyi, spouse of Dr. Yang Qingli. Dr. Yang Qingli is therefore deemed to be interested in these shares.

(b) Long positions in the shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares interested	Percentage of the issued share capital of the associated corporation held
Mr. Zhang Jun	Hilong Group Limited	Founder and beneficiary of Mr. Zhang's trust	100	100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SECURITIES OF THE COMPANY

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of Shares/underlying shares interested	Approximate percentage of the issues share capital of the Company
Hilong Group Limited	Beneficial owner	715,461,000 ⁽¹⁾	42.17%
SCTS Capital Pte. Ltd.	Nominee	849,138,800 ⁽¹⁾⁽²⁾	50.05%
Standard Chartered Trust (Singapore) Limited	Trustee	849,138,800 ⁽¹⁾⁽²⁾	50.05%
Ms. Gao Xia	Interest of spouse	829,021,800 ⁽³⁾	48.87%

Notes:

- (1) 715,461,000 shares are held by Hilong Group Limited, the entire share capital of which is held by SCTS Capital Pte Ltd. which is then wholly-owned by Standard Chartered Trust (Singapore) Limited as trustee of Mr. Zhang's trust. Mr. Zhang Jun is the founder and beneficiary of Mr. Zhang's trust.
- (2) 24,300,000 shares, 24,000,000 shares and 64,000,800 shares are held by Younger Investment Limited, North Violet Investment Limited and LongZhi Investment Limited respectively, the entire share capital of each of which is held by SCTS Capital Pte. Ltd. which is then wholly-owned by Standard Chartered Trust (Singapore) Limited as trustees of three Mr. Zhang's family trusts. Mr. Zhang Jun is the founder and one of the beneficiaries of these three Mr. Zhang's family trusts.
- (3) Ms. Gao Xia is the spouse of Mr. Zhang Jun and is therefore deemed to be interested in the shares and underlying shares of the Company in which Mr. Zhang Jun is interested.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, no other persons (not being a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO.

3. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective close associates had any business which competes or may compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, save as disclosed in this circular, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any asset which has been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

- (A) The Group (as lessee) has entered into tenancy agreements with Shanghai Longshi Investment Management Company Limited (上海隆視投資管理有限公司) (as lessor) for premises on 1 August 2023;
- (B) The Group (as lessee) has entered into tenancy agreements with Beijing Huashi Hailong Oil Investment Co., Ltd.* (北京華實海隆石油投資有限公司) (as lessor) for premises, and a tenancy agreement with Technomash LLC (as lessor), respectively, on 2024 Supplemental Beijing Huashi Effective Date and 2024 Supplemental Pipeline Effective Date;
- (C) The Group (as lessor) has entered into tenancy agreements with Hilong Shine New Material, Hilong Pipeline and Shenglong Oil and Gas Pipeline Inspection Technology Co., Ltd. (盛隆石油管檢測技術有限公司) (as lessees), respectively, for premises on 2024 Supplemental Shine New Material Effective Date and 2024 Supplemental Pipeline Effective Date;
- (D) The Group (as lessor) has entered into an equipment lease agreement with Hilong Petroleum Pipeline Service (Surgut) LLC (as lessee) on 2024 Pipeline Petroleum Equipment Effective Date;

- (E) The Group has entered into coating services and hardbanding services agreement with Hilong Pipeline for providing coating services and hardbanding services as and when requested by Hilong Energy Limited and its subsidiaries on 27 February, 2024; and
- (F) The Group has entered into welding wire supply agreement with Hilong Pipeline for supplying welding wires and related products to Hilong Pipeline as and when requested by Hilong Pipeline on 27 February 2024.

The counterparties of such agreements are associates of Mr. Zhang. Save as disclosed above, as at the Latest Practicable Date, there were no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her connected entities had a material interest, whether directly or indirectly.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the announcements of the Company dated 20 March 2024, 25 March 2024, 30 April 2024, 31 May 2024 and 18 June 2024 in relation to, among others, the delay in publication of annual results announcement and delay in despatch of the annual report for the year ended 31 December 2023, the postponement of the Board meeting, suspension of trading with effect from 9:00 a.m. on 2 April 2024 and the change of auditor and the resumption guidance, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

8. MATERIAL CONTRACTS

The following contract (not being contracts entered into in the ordinary course of business) had been entered into by members of the Group within the two years immediately prior to the Latest Practicable Date and which are, or may be, material to the Group:

- (1) the equity transfer agreement dated 31 March 2023 entered into between Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司), as vendor, and Shanghai Hilong Shine New Material Co., Ltd.* (上海海隆賽能新材料有限公司), as purchaser, in relation to the disposal of the 100% equity interest in Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司) by Hilong Group of Companies Ltd.; and
- (2) the equity transfer agreement dated 3 April 2023 entered into among Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司), Shanghai Jintang Industry Co., Ltd.* (上海金鏜實業有限公司) and Shanghai Hilong Special Steel Pipe Co., Ltd.* (上海海隆特種鋼管有限公司) in relation to the disposal of the 30% equity interest in Shanghai Hilong Special Steel Pipe Co., Ltd.* (上海海隆特種鋼管有限公司) by Hilong Group of Companies Ltd.

9. EXPERTS

The following is the qualification of the expert who has given its opinions or advice which are included in this circular:

Name	Qualifications
Rainbow Capital (HK) Limited	a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, Rainbow Capital (HK) Limited:

- (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report (as the case may be) and references to its names, in the form and context in which they respectively appear;
- (ii) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (iii) did not have any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The letters and/or report (as the case may be) from the above expert is given as of the date of this circular for incorporation herein.

10. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was involved in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

11. MISCELLANEOUS

- (a) Ms. Sham Ying Man is the company secretary of the Company. Ms. Sham Ying Man is a manager of Tricor Services Limited, a global professional service provider specializing in integrated business, corporate and investor services. The company secretary attended sufficient professional training as required under the Listing Rules for the year ended 31 December 2023 to update her skills and knowledge.

- (b) The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The principal place of business of the Company in Hong Kong is situated at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
- (d) The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hilonggroup.com) for the period of 14 days commencing from the date of this circular:

- (a) the 2024 Supplemental Beijing Huashi Tenancy Agreements;
- (b) the 2024 Supplemental Shine New Material Tenancy Agreement;
- (c) the 2024 Supplemental Pipeline Tenancy Agreements (Including the English translation of the 2024 Supplemental Pipeline Tenancy Agreement No. 3);
- (d) the English translation of the 2024 Pipeline Petroleum Equipment Lease Agreement;
- (e) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (g) the written consent of the expert referred to in the section headed "9. Experts" in this appendix; and
- (h) this circular.



Hilong Holding Limited
海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1623)

NOTICE OF THE 2024 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2024 second extraordinary general meeting (the “**EGM**”) of the shareholders of Hilong Holding Limited (the “**Company**”) will be held at Conference Room, 6th Floor, Hilong Group of Companies Ltd., No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, China, on Monday, 12 August 2024 at 10:00 a.m. for the considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**
 - (a) the 2024 Supplemental Beijing Huashi Tenancy Agreements dated 18 July 2024 referred to in the sub-section headed “2. (A) 2024 Supplemental Beijing Huashi Tenancy Agreements” in the “Letter from the Board” contained in the circular dated 25 July 2024 (the “**Circular**”) of the Company of which this notice forms part and the transactions contemplated thereunder and the proposed revised annual cap, be and are hereby approved, confirmed and ratified; and
 - (b) any one or more directors of the Company be and is/are hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as he/she/they consider, necessary or expedient or desirable to implement and/or give effect to the above agreements and the transactions contemplated thereunder and the proposed revised annual cap, and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company.”

* For identification purpose only

NOTICE OF EGM

2. **“THAT:**

- (a) the 2024 Supplemental Shine New Material Tenancy Agreement dated 18 July 2024 referred to in the sub-section headed “2. (B) 2024 Supplemental Shine New Material Tenancy Agreement” in the “Letter from the Board” contained in the Circular of which this notice forms part and the transaction contemplated thereunder and the proposed revised annual cap, be and are hereby approved, confirmed and ratified; and
- (b) any one or more directors of the Company be and is/are hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as he/she/they consider, necessary or expedient or desirable to implement and/or give effect to the above agreement and the transaction contemplated thereunder and the proposed revised annual cap, and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company.”

3. **“THAT:**

- (a) the 2024 Supplemental Pipeline Tenancy Agreements dated 18 July 2024 referred to in the sub-section headed “2. (C) 2024 Supplemental Pipeline Tenancy Agreements” in the “Letter from the Board” contained in the Circular of which this notice forms part and the transactions contemplated thereunder and the proposed revised annual cap, be and are hereby approved, confirmed and ratified; and
- (b) any one or more directors of the Company be and is/are hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as he/she/they consider, necessary or expedient or desirable to implement and/or give effect to the above agreements and the transactions contemplated thereunder and the proposed revised annual cap, and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company.”

4. **“THAT:**

- (a) the 2024 Pipeline Petroleum Equipment Lease Agreement dated 18 July 2024 referred to in the sub-section headed “2. (D) 2024 Pipeline Petroleum Equipment Lease Agreement” in the “Letter from the Board” contained in the Circular of which this notice forms part and the transaction contemplated thereunder and the proposed annual cap, be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) any one or more directors of the Company be and is/are hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as he/she/they consider, necessary or expedient or desirable to implement and/or give effect to the above agreement and the transaction contemplated thereunder and the proposed annual cap, and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company.”

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

Hong Kong, 25 July 2024

Notes:

- (1) All resolutions at the EGM will be taken by poll pursuant to article 66 of the articles of association of the Company. The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- (2) A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
- (3) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the EGM (i.e. not later than 10:00 a.m. on Saturday, 10 August 2024 (Hong Kong time)) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM and at any adjournment thereof and, in such event, the form of proxy will be deemed to be revoked.
- (4) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 7 August 2024 to Monday, 12 August 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 6 August 2024.

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