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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.

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Hilong Holding Limited
海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1623)

CONTINUING CONNECTED TRANSACTIONS
(1) 2025 RENEWED TENANCY CCT AGREEMENTS;
(2) 2025 HILONG ENERGY CCT AGREEMENTS;
AND
(3) NOTICE OF THE 2025 FIRST EXTRAORDINARY
GENERAL MEETING

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滂 博 資 本 有 限 公 司

A letter from the Board is set out on pages 8 to 38 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 39 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 40 to 75 of this circular.

A notice convening the 2025 first 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 Friday, 10 January 2025 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 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.

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DEFINITIONS

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

“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, as disclosed in the announcement of the Company dated 18 July 2024
“2024 Supplemental Coating Services and Hardbanding Services Agreement”	the Supplemental Coating Services and Hardbanding Services Agreement, as disclosed in the announcement of the Company dated 27 February 2024
“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, as disclosed in the announcement of the Company dated 18 July 2024
“2024 Supplemental Shine New Material Tenancy Agreement”	the 2024 Supplemental Shine New Material Tenancy Agreement as disclosed in the announcement dated 18 July 2024
“2024 Welding Wire Supply Agreement”	the 2024 Welding Wire Supply Agreement as disclosed in the announcement of the Company dated 27 February 2024
“2025 Beijing Huashi Car Park Lease Agreement”	the car park lease agreement dated 9 December 2024 entered into between Hilong Oil Service as lessee and Beijing Huashi Investment as lessor in respect of the leasing of 20 car park spaces located at B2/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, PRC for a term of a one year starting from 1 January 2025 to 31 December 2025
“2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement”	the renewed agreement dated 9 December 2024 entered into between Hilong Pipeline and Hilong Energy in relation to the provision of coating services, hardbanding services and spraying and packaging services by Hilong Pipeline Group to Hilong Energy Group for a term of a one year starting from 1 January 2025 to 31 December 2025

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“2025 Hilong Energy CCT Agreements”	collectively, the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement and the 2025 Welding Wire Supply Agreement
“2025 Longshi Investment Tenancy Agreement”	the tenancy agreement dated 9 December 2024 entered into between Longshi Investment as lessor and Hilong Petroleum Offshore Engineering as lessee in respect of the premise in 5/F and 6/F, Building 1, Lane 288 of Shenchang Road, Minhang District, Shanghai, PRC for office use for a term of a one year starting from 1 January 2025 to 31 December 2025
“2025 Pipeline Tenancy Agreement No. 4”	the tenancy agreement dated 9 December 2024 entered into between Pipeline Surgut as lessor and Longhai Petroleum as lessee in respect of the premises in Building 1, 6 Imeni Glukhov Street, Yugra, Surgut City, Khanty-Mansiysk Autonomous Okrug Region, Russian Federation for office use for a term of a one year starting from 1 January 2025 to 31 December 2025
“2025 Renewed Beijing Huashi Tenancy Agreement No. 1”	the renewed tenancy agreement dated 9 December 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 for a term of a one year starting from 1 January 2025 to 31 December 2025
“2025 Renewed Beijing Huashi Tenancy Agreement No. 2”	the renewed tenancy agreement dated 9 December 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 for a term of a one year starting from 1 January 2025 to 31 December 2025
“2025 Renewed Beijing Huashi Tenancy Agreement No. 3”	the renewed tenancy agreement dated 9 December 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 for a term of a one year starting from 1 January 2025 to 31 December 2025

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“2025 Renewed Beijing Huashi Tenancy Agreement No. 4”	the tenancy agreement dated 9 December 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 for a term of a one year starting from 1 January 2025 to 31 December 2025
“2025 Renewed Beijing Huashi Tenancy Agreements”	collectively, 2025 Renewed Beijing Huashi Tenancy Agreement No. 1, 2025 Renewed Beijing Huashi Tenancy Agreement No. 2, 2025 Renewed Beijing Huashi Tenancy Agreement No. 3, 2025 Renewed Beijing Huashi Tenancy Agreement No. 4 and 2025 Beijing Huashi Car Park Lease Agreement
“2025 Renewed Pipeline Tenancy Agreement No. 1”	the renewed tenancy agreement dated 9 December 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, 4th floor of main building and 3rd floor of dining hall, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC for office use and manufacturing plant for a term of a one year starting from 1 January 2025 to 31 December 2025
“2025 Renewed Pipeline Tenancy Agreement No. 2”	the renewed tenancy agreement dated 9 December 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, 4th floor of main building and 3rd floor of dining hall, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC for office use and manufacturing plant for a term of a one year starting from 1 January 2025 to 31 December 2025
“2025 Renewed Pipeline Tenancy Agreement No. 3”	the renewed tenancy agreement dated 9 December 2024 entered into between Technomash as lessor and Drilling Technology as lessee in respect of the premises in 47/1, Building 10A, 10B and 10C, Demyan Bedny Street, Nevyansk, Sverdlovsk Region, Russian Federation for office use and manufacturing plant for a term of a one year starting from 1 January 2025 to 31 December 2025

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“2025 Renewed Pipeline Tenancy Agreements”	collectively, 2025 Renewed Pipeline Tenancy Agreement No. 1, 2025 Renewed Pipeline Tenancy Agreement No. 2, 2025 Renewed Pipeline Tenancy Agreement No. 3 and 2025 Pipeline Tenancy Agreement No. 4
“2025 Renewed Shine New Material Tenancy Agreement”	the renewed tenancy agreement dated 9 December 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 for a term of a one year starting from 1 January 2025 to 31 December 2025
“2025 Renewed Tenancy CCT Agreements”	collectively, 2025 Renewed Beijing Huashi Tenancy Agreements, 2025 Renewed Shine New Material Tenancy Agreement, 2025 Renewed Pipeline Tenancy Agreements and 2025 Longshi Investment Tenancy Agreement
“2025 Welding Wire Supply Agreement”	the renewed agreement dated 9 December 2024 entered into between Hilong Energy and Hilong Pipeline in relation to the provision of welding wires and related products by Hilong Energy Group to Hilong Pipeline Group for a term of a one year starting from 1 January 2025 to 31 December 2025
“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

DEFINITIONS

“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“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 on 10 January 2025 to consider and, if thought fit, approve the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Group”	the Company and its subsidiaries
“Hilong Energy”	Hilong Energy Limited (海隆能源有限公司), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“Hilong Energy Group”	Hilong Energy 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 Offshore Engineering”	Hilong Petroleum Offshore Engineering Limited* (海隆石油海洋工程有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Hilong Pipeline”	Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司)
“Hilong Pipeline Group”	Hilong Pipeline and its subsidiaries
“Hilong Shine New Material”	Shanghai Hilong Shine New Material Co., Ltd.* (上海海隆賽能新材料有限公司), a company incorporated in the PRC with limited liability and controlled by Mr. Zhang

DEFINITIONS

“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
“Independent Board Committee”	the board committee of the Company comprising all independent non-executive Directors, namely Mr. WANG Tao, Mr. WONG Man Chung Francis and Mr. SHI Zheyang, to be established to make recommendation to the Independent Shareholders in respect of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Independent Shareholders”	the Shareholders, other than Mr. Zhang and his associates, who are entitled to vote at the EGM in respect of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
“Latest Practicable Date”	18 December 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longshi Investment”	Shanghai Longshi Investment Management Company Limited* (上海隆視投資管理有限公司), an associate of Mr. Zhang
“Longhai Petroleum”	Longhai Petroleum Technology Service Center Limited Liability Company
“Mr. Zhang”	Mr. ZHANG Jun (張軍), the chairman of the Board, an executive Director and a controlling shareholder of the Company
“Pipeline Surgut”	Hilong Petroleum Pipeline Service (Surgut) LLC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“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
“Technomash”	Technomash LLC
“VAT”	Value added tax
“%”	percent.

* For identification purpose only

** For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00 to RUB14.29 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 Director:

Mr. ZHANG Jun

Non-executive Directors:

Ms. ZHANG Shuman

Dr. YANG Qingli

Mr. CAO Hongbo

Dr. FAN Ren Da Anthony

Independent non-executive Directors:

Mr. WANG Tao

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

20 December 2024

To the Shareholders:

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) 2025 RENEWED TENANCY CCT AGREEMENTS;
(2) 2025 HILONG ENERGY CCT AGREEMENTS;
AND
(3) NOTICE OF THE 2025 FIRST EXTRAORDINARY
GENERAL MEETING

1. INTRODUCTION

Reference are made to:

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

* For identification purpose only

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- (ii) the announcement of the Company dated 27 February 2024 in relation to the Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement, the respective transactions contemplated thereunder and the proposed annual caps related thereto; and
- (iii) the announcement of the Company dated 9 December 2024 in relation to the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto and the clarification announcement dated 18 December 2024 in relation to the revision of the proposed annual cap of the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement for the financial year ending 31 December 2025.

The purpose of this circular is to provide you with, among other things, (i) further details of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements (including the respective transactions contemplated thereunder and the proposed annual caps related thereto); (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from 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

I. 2025 RENEWED TENANCY CCT AGREEMENTS

(A) 2025 RENEWED BEIJING HUASHI TENANCY AGREEMENTS

Background: Given that the 2024 Supplemental Beijing Huashi Tenancy Agreements will expire on 31 December 2024, the parties entered into the 2025 Renewed Beijing Huashi Tenancy Agreements for a term of a one year starting from 1 January 2025 to 31 December 2025. The principal terms of the 2025 Renewed Beijing Huashi Tenancy Agreements are set out below:

Date: 9 December 2024

Term: 1 January 2025 to 31 December 2025

	2025 Renewed Beijing Huashi Tenancy Agreement No. 1	2025 Renewed Beijing Huashi Tenancy Agreement No. 2	2025 Renewed Beijing Huashi Tenancy Agreement No. 3	2025 Renewed Beijing Huashi Tenancy Agreement No. 4	2025 Beijing Huashi Car Park Lease Agreement
Lessor:	Beijing Huashi Investment	Beijing Huashi Investment	Beijing Huashi Investment	Beijing Huashi Investment	Beijing Huashi Investment

LETTER FROM THE BOARD

Lessee:	Hilong Oil Service	Hilong Oil Service	Hilong Oil Service	Hilong Oil Service	Hilong Oil Service
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	20 car park spaces on B2/F, Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC
Leased area:	1,850.32 square meters	476.99 square meters	126.12 square meters	276.74 square meters	100 square meters
Monthly rental:	RMB644,412.49 per month excluding utility and management fees	RMB160,608.50 per month excluding utility and management fees	RMB30,650.84 per month excluding utility and management fees	RMB93,434.34 per month excluding utility and management fees	RMB30,000 per month
Rental deposits:	RMB1,288,824.98	RMB321,217	RMB61,301.68	RMB186,868.68	Nil
Usage:	Office	Office	Office	Office	Car park
Payment:	The rental of 2025 Renewed Beijing Huashi Tenancy Agreements are payable by Hilong Oil Service in every six months period. Hilong Oil Service is required to pay the first six months of rental with the rental deposits on the date of the 2025 Renewed Beijing Huashi Tenancy Agreements. Thereafter, Hilong Oil Service is required to pay the second six months of rental 15 days prior to the start of the second six months period.				
Renewal of leases:	Prior to the expiration of the term of the 2025 Renewed 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 2025 Renewed Beijing Huashi Tenancy Agreements and compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules).				

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Historical transaction amounts:	For the financial year ended 31 December 2023 ⁽¹⁾	For the ten months ended 31 October 2024 ⁽¹⁾
	<i>RMB</i>	<i>RMB</i>
	11,149,274	9,291,062
Annual cap:	Existing annual cap for the financial year ending 31 December 2024 ⁽¹⁾	Proposed annual cap for the 2025 Renewed Beijing Huashi Tenancy Agreements
	<i>RMB'000</i>	<i>RMB'000</i>
	11,150	11,509

Note:

- (1) The historical transaction amounts for the financial year ended 31 December 2023 and the ten months ended 31 October 2024 and the existing annual cap for the financial year ending 31 December 2024 do not include the 2025 Beijing Huashi Car Park Lease Agreement.

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 Supplemental Beijing Huashi Tenancy Agreements for the six months ending 31 December 2024 with the unit rental price of approximately RMB340.31 per square meter per month, decreasing to approximately RMB338.89 per square meter per month by 0.42%; (ii) superior location of the premises and car park to be leased under the 2025 Renewed 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 and car park to be leased including the interior design and decorations; (iv) rental levels of similar properties and car parks 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 and car park to be leased, which is obtainable as public information from the online rental platforms.

LETTER FROM THE BOARD

(B) 2025 RENEWED SHINE NEW MATERIAL TENANCY AGREEMENT

Background:	Given that the 2024 Supplemental Shine New Material Tenancy Agreement will expire on 31 December 2024, the parties entered into the 2025 Renewed Shine New Material Tenancy Agreement for a term of a one year starting from 1 January 2025 to 31 December 2025. The principal terms of the 2025 Renewed Shine New Material Tenancy Agreements are set out below:
Date:	9 December 2024
Term:	1 January 2025 to 31 December 2025
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:	22,260.58 square meters
Monthly rental:	RMB428,654.36 per month. Accordingly, the total rental to be received by Hilong Group of Companies Ltd. under the agreement is RMB5,143,852.33.
Utility fees:	RMB166,666.67 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 RMB2,000,000.04.
Usage:	Manufacturing plant
Payment:	The total rental and utility fees in the amount of RMB7,143,852.37 is payable by Hilong Shine New Material within 15 days from the date of the 2025 Renewed 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 2025 Renewed Shine New Material Tenancy Agreement by giving 60 days' prior written notice to Hilong Group of Companies Ltd. before the expiration of the 2025 Renewed Shine New Material Tenancy Agreement. New tenancy agreements or renewal agreements may be entered into by the parties.

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Historical transaction amounts:	For the financial year ended 31 December 2023	For the ten months ended 31 October 2024
	<i>RMB</i>	<i>RMB</i>
	3,305,178	5,577,539
Annual cap:	Existing annual cap for the financial year ending 31 December 2024	Proposed annual cap for the 2025 Renewed Shine New Material Tenancy Agreement
	<i>RMB'000</i>	<i>RMB'000</i>
	6,721	7,144

Basis of consideration

The terms of the 2025 Renewed Shine New Material Tenancy Agreement is 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 Supplemental Shine New Material Tenancy Agreement for the six months ending 31 December 2024 with the unit rental price of approximately RMB17.63 per square meter per month, increasing to approximately RMB19.26 by 9.25% under the 2025 Renewed Shine New Material Tenancy Agreement. The increase in rental amounts is due to the increase in leased area and increase in unit rental price because of prevailing market rents as disclosed in (vii). Due to the stabilisation of the real estate market, it is expected that rental prices in the market will steadily rise; (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) 2025 RENEWED PIPELINE TENANCY AGREEMENTS

Background: Given that the 2024 Supplemental Pipeline Tenancy Agreements will expire on 31 December 2024, the parties entered into the 2025 Renewed Pipeline Tenancy Agreements for a term of a one year starting from 1 January 2025 to 31 December 2025. The principal terms of the 2025 Renewed Pipeline Tenancy Agreements are set out below:

Date: 9 December 2024

Term: 1 January 2025 to 31 December 2025

	2025 Renewed Pipeline Tenancy Agreement No. 1	2025 Renewed Pipeline Tenancy Agreement No. 2	2025 Renewed Pipeline Tenancy Agreement No. 3	2025 Pipeline Tenancy Agreement No. 4
Lessor:	Hilong Group of Companies Ltd.	Hilong Group of Companies Ltd.	Technomash	Pipeline Surgut
Lessee:	Hilong Pipeline	Shenglong Oil and Gas	Drilling Technology	Longhai Petroleum
Leased premises:	Premises in D plant, F plant, 4th floor of main building and 3rd floor of dining hall, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC	Premises in F plant, G plant, 4th floor of main building and 3rd floor of dining hall, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC	Premises in 47/1, Building 10A, 10B and 10C, Demyan Bedny Street, Nevyansk, Sverdlovsk Region, Russian Federation	Premises in Building 1, 6 Imeni Glukhov Street, Yugra, Surgut City, Khanty-Mansiysk Autonomous Okrug Region, Russian Federation
Leased area:	15,713.21 square meters	2,674.30 square meters	19,640.87 square meters	1,311.80 square meters
Monthly rental:	RMB300,939.50 per month	RMB42,387.37 per month	RUB10,825,687.92 per month (equivalent to approximately RMB757,570.88) (inclusive of water and electricity fees) ^(**)	RUB1,027,788 per month (equivalent to approximately RMB71,923.58) (inclusive of water and electricity fees) ^(**)

LETTER FROM THE BOARD

Utility fees:	RMB666,666.67 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 RMB8,000,000.04.	RMB12,500 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 RMB150,000.		
Usage:	Office use and manufacturing plant	Office use and manufacturing plant	Office use and manufacturing plant	Maintenance and manufacturing
Payment:	The total rental and utility fees in the amount of RMB11,611,274.05 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 RMB658,648.44 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 RUB129,908,255.04 (equivalent to approximately RMB9,090,850.60) ^(**) .	At the end of calendar month, but not later than the fifth day of the month following the reporting month, the lessor sends the lessee the invoice for payment. The amount of rental fees on the invoice is payable by the lessee to the lessor within 90 days upon receiving the invoice. The total rental under the agreement is RUB12,333,456 (equivalent to approximately RMB863,083) ^(**) .
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.			

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Historical transaction amounts:	For the financial year ended 31 December 2023 ⁽²⁾	For the ten months ended 31 October 2024 ⁽²⁾
	<i>RMB</i>	<i>RMB</i>
	6,033,171	17,127,920
Annual cap:	Existing annual cap for the financial year ending 31 December 2024 ⁽²⁾	Proposed annual cap for the 2025 Renewed Pipeline Tenancy Agreements
	<i>RMB'000</i>	<i>RMB'000</i>
	20,900	23,136

Note:

- (2) The historical transaction amounts for the financial year ended 31 December 2023 and the ten months ended 31 October 2024 and the existing annual cap for the financial year ending 31 December 2024 do not include the 2025 Pipeline Tenancy Agreement No. 4.

Basis of consideration

The terms of the 2025 Renewed Pipeline Tenancy Agreement No. 1, the 2025 Renewed Pipeline Tenancy Agreement No. 2 and the 2025 Renewed Pipeline Tenancy Agreement No. 3 are 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 Supplemental Pipeline Tenancy Agreement No. 1, the 2024 Supplemental Pipeline Tenancy Agreement No. 2 and the 2024 Supplemental Pipeline Tenancy Agreement No. 3 with the unit rental price of approximately RMB16.52, RMB13.53 and RMB37.71 per square meter per month, respectively. The proposed unit rental price of the 2025 Renewed Pipeline Tenancy Agreement No. 1 increases to approximately RMB19.15 per square meter per month by 15.92% because of prevailing market rents as disclosed in (vii). The proposed unit rental price of the 2025 Renewed Pipeline Tenancy Agreement No. 2 increases to approximately RMB15.85 per square meter per month by 17.15% as part of the rental area is no longer leased by Shenglong Oil and Gas and because of prevailing market rents as disclosed in (vii). The proposed unit rental price of the 2025 Renewed Pipeline Tenancy Agreement No. 3 increases to approximately RMB38.57 per square meter per month by 2.28% due to fluctuation in market price and exchange rate from RUB to RMB; (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

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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.

The terms of the 2025 Pipeline Tenancy Agreement No. 4 are determined on arm's length basis and normal commercial terms taken into account: (i) the prevailing market rents with respect to the premises to be leased, which is obtainable as public information from the surrounding rental market; (ii) rental levels of similar properties in the vicinity of the leased premises (taking into account factors such as leased areas and floor levels); (iii) the conditions of the leased premises; and (iv) the availability of properties with similar sizes and in similar locations.

(D) 2025 LONGSHI INVESTMENT TENANCY AGREEMENT

Date:	9 December 2024
Term:	1 January 2025 to 31 December 2025
Lessor:	Longshi Investment
Lessee:	Hilong Petroleum Offshore Engineering
Leased premises:	Premises in 5/F and 6/F, Building 1, Lane 288 of Shenchang Road, Minhang District, Shanghai, PRC
Leased area:	1,006.94 square meters
Monthly rental:	RMB76,569.40 per month excluding utility fees and management fees
Rental deposits:	RMB153,138.80
Usage:	Office

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Payment:	The rental of the 2025 Longshi Investment Tenancy Agreement is payable by Hilong Petroleum Offshore Engineering in every six months period. Hilong Petroleum Offshore Engineering is required to pay the first six months of rental with the rental deposits on the date of the 2025 Longshi Investment Tenancy Agreement. Thereafter, Hilong Petroleum Offshore Engineering is required to pay the second six months of rental 15 days prior to the start of the second six months period.
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 Petroleum Offshore Engineering has the option to renew the 2025 Longshi Investment Tenancy Agreement by giving 60 days' prior written notice to Longshi Investment before the expiration of the 2025 Longshi Investment Tenancy Agreement. New tenancy agreements or renewal agreements may be entered into by the parties.
Annual cap:	Proposed annual cap for the 2025 Longshi Investment Tenancy Agreement

RMB'000

1,000

Basis of consideration

The terms of the 2025 Longshi Investment Tenancy Agreement are determined on arm's length basis and normal commercial terms taken into account: (i) 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; (ii) rental levels of similar properties in the vicinity of the leased premises (taking into account factors such as leased areas and floor levels); (iii) the conditions of the leased premises; and (iv) the availability of properties with similar sizes and in similar locations.

Accounting Treatment with respect to the 2025 Renewed Beijing Huashi Tenancy Agreements, the 2025 Renewed Pipeline Tenancy Agreement No. 3, the 2025 Pipeline Tenancy Agreement No. 4 and the 2025 Longshi Investment Tenancy Agreement

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 2025 Renewed Beijing Huashi Tenancy Agreements, the 2025 Renewed Pipeline Tenancy Agreement

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No. 3, the 2025 Pipeline Tenancy Agreement No. 4 and the 2025 Longshi Investment Tenancy Agreement is no more than 12 months, the Group may elect not to recognize assets and liabilities for the leases contemplated under the 2025 Renewed Beijing Huashi Tenancy Agreements, the 2025 Renewed Pipeline Tenancy Agreement No. 3, the 2025 Pipeline Tenancy Agreement No. 4 and the 2025 Longshi Investment Tenancy Agreement in its consolidated statement of financial position according to HKFRS 16. Accordingly, the rental payable by the Group pursuant to the 2025 Renewed Beijing Huashi Tenancy Agreements, the 2025 Renewed Pipeline Tenancy Agreement No. 3, the 2025 Pipeline Tenancy Agreement No. 4 and the 2025 Longshi Investment Tenancy Agreement 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) for the financial year ending 31 December 2024 are renewed for the period from 1 January 2025 to 31 December 2025 to cover the financial year ending 31 December 2025 under the 2025 Renewed Tenancy CCT Agreements:

Existing annual cap for the financial year ending 31 December 2024	Proposed annual cap for the financial year ending 31 December 2025
<i>RMB'000</i>	<i>RMB'000</i>
38,782	42,789

In arriving at the proposed annual caps of RMB42,789,000 for the period from 1 January 2025 to 31 December 2025, which comprises (i) the aggregate amount of the rental payable by the Group to Beijing Huashi Investment under the 2025 Renewed Beijing Huashi Tenancy Agreements; (ii) the amount of the rental and utility fees payable by Hilong Shine New Material to the Group under the 2025 Renewed 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 the rental payable by the Group to Technomash and Pipeline Surgut under the 2025 Renewed Pipeline Tenancy Agreements and (iv) the rental payable by the Group to Longshi Investment under the 2025 Longshi Investment Tenancy Agreement; the Directors have taken into account the historical transaction amounts and aggregate estimated amounts payable or to be received by the Group under such agreements.

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The terms of each of the 2025 Renewed Tenancy CCT Agreements are 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 car park, 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 2025 Renewed 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 FOR ENTERING INTO THE 2025 RENEWED TENANCY 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 Supplemental Beijing Huashi Tenancy Agreements will expire on 31 December 2024. The Company believes that it is time and cost efficient for the Group to continue to lease the premises under the 2025 Renewed 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 rent of six months with additional deposits aligns with normal market practice for similar properties and car parks in the vicinity of the leased premises. The Board also considers that the upfront payment of 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 Supplemental Shine New Material Tenancy Agreement will expire on 31 December 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 2025 Renewed 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.

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The 2024 Supplemental Pipeline Tenancy Agreements will expire on 31 December 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 2025 Renewed 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. The Group 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 rather than seeking alternative locations and lessors. Longhai Petroleum is expanding its manufacturing capacity in the region and requires premises dedicated to maintenance and manufacturing activities. Given the close proximities of Longhai Petroleum's operations to Pipeline Surgut and its desirable location, the Company believes it is beneficial to lease such premises from Pipeline Surgut.

The Group has been leasing other premises from Longshi Investment for use as offices. The Group is in need for more office spaces and believes it is time and cost efficient to lease additional premises rather than to seek for alternative locations, which would incur unnecessary moving costs and cause potential disruption to the daily operations.

II. 2025 HILONG ENERGY CCT AGREEMENTS

(E) 2025 COATING SERVICES, HARDBANDING SERVICES AND SPRAYING AND PACKAGING SERVICES AGREEMENT

Background: Given that the 2024 Supplemental Coating Services and Hardbanding Services Agreement will expire on 31 December 2024, the parties entered into the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement for a term of a one year starting from 1 January 2025 to 31 December 2025. The principal terms of the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement are set out below:

Date: 9 December 2024

Parties:

- i. Hilong Energy; and
- ii. Hilong Pipeline

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- Subject matter:** Hilong Pipeline Group shall provide Hilong Energy Group with coating services, hardbanding services and spraying and packaging services as and when requested by Hilong Energy Group during the term of the agreement.
- Term:** The 2025 Coating Services, Hardbanding Service and Spraying and Packaging Services Agreement will commence on 1 January 2025 and end on 31 December 2025, subject to renewal upon mutual agreement of both parties and compliance with the Listing Rules.
- Payment:** Hilong Energy Group shall pay Hilong Pipeline Group within 90 days from the date of invoice.
- Pricing policy:** Prices are determined after arm's length negotiations between the parties with references to prevailing market prices within the industry and considering regional price differences, with reference to:
- i. Coating services pricing policy
 - a. PRC Market: the reference prices formulated by China National Petroleum Corporation (CNPC) and China Petroleum & Chemical Corporation (Sinopec Corp.) for similar types, specifications, techniques, and standards of services on an annual basis. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the above reference prices.
 - b. Overseas Market: (i) the prevailing market prices based on comparing quotations obtained from other Independent Third Parties for similar types, specifications, techniques, and standards of services; and (ii) costs to be incurred by Hilong Pipeline Group for coating services with a reasonable profit margin in the range of 40% to 50%. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period; while the actual profit margin will be based on the specifications, techniques and standards of drill-pipes. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the prevailing market prices.

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- ii. Hardbanding services pricing policy
 - a. The prevailing market prices are based on comparing quotations obtained from other Independent Third Party suppliers in the market for similar types, specifications, techniques, and standards of services; and
 - b. costs to be incurred by Hilong Pipeline Group for hardbanding services with a reasonable profit margin in the range of 30% to 40%. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period; while the actual profit margin will be determined with reference to the specifications, techniques and standards of drill-pipes. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the prevailing market prices.
- iii. Spraying and packaging services pricing policy
 - a. The prevailing market prices based on comparing quotations obtained from other Independent Third Party suppliers in the market for similar types, specifications, techniques, and standards of services; and
 - b. costs to be incurred by Hilong Pipeline Group for spraying and packaging services with a reasonable profit margin in the range of 20% to 35%. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period; while the actual profit margin will be based on the specifications, techniques and standards of drill-pipes. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the prevailing market prices.

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

Condition precedent: The 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement is conditional upon the Independent Shareholders approving the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement, the transactions contemplated thereunder and the proposed annual cap related thereto at the EGM.

Historical transaction amounts:	For the financial year ended 31 December 2023 ⁽³⁾⁽⁴⁾	For the ten months ended 31 October 2024 ⁽³⁾⁽⁴⁾
	<i>RMB</i>	<i>RMB</i>
	313,993,000 (exclusive of VAT)	224,882,621 (exclusive of VAT)

Notes:

- (3) The historical transaction amounts for the financial year ended 31 December 2023 and the ten months ended 31 October 2024 do not include spraying and packaging services.
- (4) The historical transaction amounts for the financial year ended 31 December 2023 and the ten months ended 31 October 2024 inclusive of VAT is RMB362,121,421 and RMB260,708,284.

Annual Caps

The existing annual caps (rounded up to the nearest thousand RMB) for the financial year ending 31 December 2024 are renewed for the period of the financial year ending 31 December 2025 under the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement:

Existing annual cap for the financial year ending 31 December 2024 ⁽⁵⁾	Proposed annual cap for the financial year ending 31 December 2025
<i>RMB'000</i>	<i>RMB'000</i>
278,000 (exclusive of VAT)	382,048 (inclusive of VAT)

LETTER FROM THE BOARD

Basis of consideration

The proposed annual cap in respect of the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement is determined with reference to (i) historical transaction amount; (ii) the anticipated demand for coating services, hardbanding services and spraying and packaging services required by Hilong Energy based on drill-pipe production plans of the Group for the financial year ending 31 December 2025 and the strategic drill-pipe projects with key clients of the Group; (iii) the VAT rates in China and Russia of approximately 13% and 20%, respectively; and (iv) the implementation of the “2023-2025 Action Plan for Accelerating the integration of Oil and Gas Exploration and Development with New Energy” (加快油氣勘探開發與新能源融合發展行動方案(2023-2025)年) which was launched and promoted by the National Energy Administration (國家能源局).

The terms of the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement are reached after arm’s length negotiation between Hilong Energy and Hilong Pipeline. Taking into consideration (i) the entering into of the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement is in the ordinary and usual course of business of the Group; (ii) the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement is non-exclusive in nature; and (iii) Hilong Energy Group will only procure coating services, hardbanding services and spraying and packaging services from Hilong Pipeline Group when the price offered by Hilong Pipeline Group is no less favorable to the Group as compared to other quotations received from Independent Third Parties. Based on the above reasons, the Directors (including the independent non-executive Directors) considers that the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement, the transactions contemplated thereunder and the proposed annual cap related thereto are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Note :

- (5) The annual cap for the financial year ending 31 December 2024 inclusive of VAT is RMB318,807,000 and does not include spraying and packaging services.

REASONS FOR AND BENEFITS FOR ENTERING INTO THE 2025 COATING SERVICES, HARBANDING SERVICES AND SPRAYING AND PACKAGING SERVICES AGREEMENT

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

LETTER FROM THE BOARD

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

Furthermore, since both parties are familiar with each other's background, communication between parties would be faster and easier, risks and costs for transaction will also be reduced. Hilong Pipeline Group is also familiar with the business needs, quality standards and operation requirements of the Group. Moreover, since the Group's drill-pipe production facility and Hilong Pipeline's coating manufacturing plant are located close to each other, cooperating with Hilong Pipeline will save the Group considerable transportation costs. As set out in the section headed "Internal Controls for the Group's Continuing Connected Transactions" in this circular, service providers of coating services, hardbanding services and spraying and packaging services will be selected and determined by comparing quotations obtained from Hilong Pipeline and Independent Third Party providers. The entering into of the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement could provide flexibility to the Group in securing reliable coating services, hardbanding services and spraying and packaging services in 2025.

Therefore, Hilong Energy and Hilong Pipeline decided to enter into the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement to meet the Group's business needs in 2025 for a one year term from 1 January 2025 to 31 December 2025.

(F) 2025 WELDING WIRE SUPPLY AGREEMENT

Background: Given that the 2024 Welding Wire Supply Agreement will expire on 31 December 2024, Hilong Energy entered into the 2025 Welding Wire Supply Agreement for a term of a one year from 1 January 2025 to 31 December 2025. The principal terms of the 2025 Welding Wire Supply Agreement are set out below:

Date: 9 December 2024

Parties:

- i. Hilong Energy; and
- ii. Hilong Pipeline

LETTER FROM THE BOARD

Subject matter: Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group during the term of the agreement.

Term: The 2025 Welding Wire Supply Agreement will commence on 1 January 2025 and end on 31 December 2025, subject to renewal upon mutual agreement of both parties and compliance with the Listing Rules.

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

Pricing policy: Prices are determined after arm's length negotiations between the parties with references (i) to the final price of welding wires and related products sold by Hilong Energy Group to Independent Third Parties in the current financial year; and (ii) the costs of the welding wires produced by Hilong Energy Group with a reasonable profit margin in the range of 80% to 90%, with additional costs of tariffs and exchange rate considered for overseas market. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period taken into account the uniqueness and extensively patented welding wire formula, and the relatively lower cost attributable to the high productivity of the welding wire equipment of Hilong Energy Group. Prior to determining the price of welding wires before transactions, the marketing department of Hilong Energy Group is required to conduct research on the prices of welding wires offered to the Independent Third Parties of the Group in similar transactions, or the market prices of similar products under similar sales terms and conditions if no similar transactions have occurred within the Group. After preliminary pricing discussions with cost center and financial department, the marketing department will submit pricing proposals to management of Hilong Energy Group and relevant departments for review and approval before entering into transactions.

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

LETTER FROM THE BOARD

Condition precedent:	The 2025 Welding Wire Supply Agreement is conditional upon the Independent Shareholders approving the 2025 Welding Wire Supply Agreement, the transactions contemplated thereunder and the proposed annual caps related thereto at the EGM.
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Historical transaction amounts:	For the financial year ended 31 December 2023 ⁽⁶⁾	For the ten months ended 31 October 2024 ⁽⁶⁾
	<i>RMB</i>	<i>RMB</i>
	21,691,000 (exclusive of VAT)	11,441,079 (exclusive of VAT)

Note:

(6) The historical transaction amounts for the financial year ended 31 December 2023 and the ten months ended 31 October 2024 inclusive of VAT is RMB25,053,815 and RMB13,640,000.

Annual Caps

The existing annual caps (rounded up to the nearest thousand RMB) for the financial year ending 31 December 2024 are renewed for the period from 1 January 2025 to 31 December 2025 to cover the financial year ending 31 December 2025 under the 2025 Welding Wire Supply Agreement:

Existing annual cap for the financial year ending 31 December 2024 ⁽⁷⁾	Proposed annual cap for the financial year ending 31 December 2025
<i>RMB'000</i>	<i>RMB'000</i>
19,060 (exclusive of VAT)	24,000 (inclusive of VAT)

Basis of consideration

The proposed annual cap in respect of the 2025 Welding Wire Supply Agreement is determined with reference to (i) historical transaction amount in relation to the supply of welding wires by Hilong Energy Group to Hilong Pipeline Group; (ii) the anticipated demand for welding wires required by Hilong Pipeline Group in 2025; (iii) Hilong Pipeline Group's demand for welding wires as communicated to the Group in 2025, based on the existing projects obtained by Hilong Pipeline Group that commence in 2025, which accounts for approximately 30% of the proposed annual cap; and (iv) the VAT rates in China and Russia of approximately 13% and 20%, respectively.

LETTER FROM THE BOARD

The terms of the 2025 Welding Wire Supply Agreement are reached after arm's length negotiation between Hilong Energy and Hilong Pipeline. Taking into consideration (i) the entering into of the 2025 Welding Wire Supply Agreement is in the ordinary and usual course of business of the Group; and (ii) the 2025 Welding Wire Supply Agreement is non-exclusive in nature and the Group has other existing welding wires clients who are Independent Third Parties. Based on the above reasons, the Directors (including the independent non-executive Directors) considers that the 2025 Welding Wire Supply Agreement, the transactions contemplated thereunder and the proposed annual cap related thereto are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Note:

- (7) The annual cap for the financial year ending 31 December 2024 inclusive of VAT is RMB22,302,000.

REASONS FOR AND BENEFITS FOR ENTERING INTO THE 2025 WELDING WIRE SUPPLY AGREEMENT

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

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

Therefore, Hilong Energy and Hilong Pipeline decided to enter into the 2025 Welding Wire Supply Agreement for a one year term from 1 January 2025 to 31 December 2025.

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

The Company has established internal control measures to ensure that (i) terms of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements are on normal commercial terms, fair and reasonable, and (ii) the transactions and the pricing policy are conducted in accordance with the terms of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements.

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

Prior to entering into the 2025 Renewed 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. The financial department of the Company will regularly monitor the 2025 Renewed 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 2025 Renewed 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.

For the transactions under the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement, the relevant staff of the marketing department will obtain at least two quotations, on a quarterly basis, from Independent Third Party service providers selected from a list of pre-approved coating services, hardbanding services and spraying and packaging services providers maintained by the Group from time to time ("**Pre-approved Supplier List**"). The criteria of the Pre-approved Supplier List include, among others, production capabilities and quality, qualifications, reputation, experience and location. The Pre-approved Supplier List is then approved by both the heads of the marketing department and procurement department and is subject to review annually. The selection basis of the two Independent Third Party service providers for quotation include their performance in recent completed projects, current service capacity, delivery timeline and competitiveness of pricing terms offered. The

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quotations together with the relevant supporting documents will then be reviewed by the financial department and then approved by the CCT IC Committee, to ensure that the pricing and terms of the coating services, hardbanding services and spraying and packaging services provided by Hilong Pipeline Group will be no less favorable to the Group as compared to other quotations received from Independent Third Party service providers.

Before entering into the transactions under the 2025 Welding Wire Supply Agreement, the marketing department will closely monitor the prices of the welding wires offered to Hilong Pipeline by evaluating the average price of the welding wires offered to the Independent Third Parties of the Group and the market prices of similar products under similar sales terms and conditions. For the evaluation mentioned above, the marketing department of the Group will first collect market price information available in the public domain. The CCT IC Committee will then discuss and review the prices and conditions of the welding wires offered to Hilong Pipeline (taking into account various factors such as costs, transaction volume, sales channel and market competition). In the event of market fluctuations, the CCT IC Committee will also convene meetings on an urgent basis. If at any time the relevant departments of the Group become aware that the price of welding wires offered to Hilong Pipeline is lower than that offered by the Group to Independent Third Parties and/or the terms of welding wires offered to Hilong Pipeline Group are more favorable than those offered by the Group to Independent Third Parties, such findings shall be reported to the CCT IC Committee immediately. The CCT IC committee shall then discuss with the Board to adjust the price offered to Hilong Pipeline Group and/or amend the relevant terms. Hilong Energy Group will only supply welding wires to Hilong Pipeline Group when the sales prices and conditions offered to Hilong Pipeline Group are no more favorable than those being offered to Independent Third Party and to ensure that all transactions with Hilong Pipeline Group will comply with the terms of the 2025 Welding Wire Supply Agreement.

To ensure the transactions contemplated under the 2025 Hilong Energy CCT Agreements do not exceed the respective proposed annual caps, the financial department of the Company will regularly monitor the actual transaction amount under the 2025 Hilong Energy CCT Agreements on a monthly basis and submit monthly reports to the CCT IC Committee to evaluate and review the implementation progress of the continuing connected transactions. If the financial department notices that the transactions under the 2025 Hilong Energy CCT Agreements will have the possibility of exceeding the respective proposed annual caps, it will notify the business and legal departments of the Group at once, as well as the CCT IC Committee to take next steps to ensure compliance with the relevant Listing Rules.

The audit department of the Company will review the continuing connected transactions under the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement and the 2025 Welding Wire Supply Agreement annually to check and confirm (among others) the fairness of the pricing terms, the implementation of continuing connected transactions, and the compliance of contract approval, ensuring that the internal control processes and operational procedures are complied in accordance with the requirements of the Management System and the Listing Rules.

LETTER FROM THE BOARD

The independent non-executive Directors will review the continuing connected transactions under the 2025 Hilong Energy CCT Agreements annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.

The Company's external auditors will review the continuing connected transactions under each of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded.

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 98.00% by BHH Petroleum Machine Equipment, 1.00% by Mr. Zhang and 1.00% 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 Energy

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

LETTER FROM THE BOARD

Hilong Petroleum Offshore Engineering

Hilong Petroleum Offshore Engineering is an indirect wholly-owned subsidiary of the Company incorporated in the PRC and is principally engaged in offshore oilfield service provision.

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 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 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 50.31% 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);

LETTER FROM THE BOARD

- (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);
- (4) approximately 5.33% by Zibo Juncihongchuang No. 1 Equity Investment Fund Partnership (Limited Partnership) (淄博雋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. (上海雋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 14 shareholders each holding less than 5.00% 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.

Longhai Petroleum

Longhai Petroleum is an indirect wholly-owned subsidiary of the Company incorporated in the Russian Federation in 2023 and is principally engaged in maintenance and upkeep of rotary guidance.

Longshi Investment

Longshi Investment is held as to 50.00% by Beijing Huashi Investment and 50.00% by Wuxi Hongyuan Enterprise Management Co., Ltd. (無錫虹元企業管理有限公司), an independent third party of the Group. It is principally engaged in investment management, business advisory, property management, and sales of daily articles.

Pipeline Surgut

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

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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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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.

Given that the 2025 Renewed Beijing Huashi Tenancy Agreements, the 2025 Renewed Shine New Material Tenancy Agreement, the 2025 Renewed Pipeline Tenancy Agreements and the 2025 Longshi Investment Tenancy 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 respectively. The aggregate proposed annual caps for the transactions contemplated under the 2025 Renewed Tenancy CCT Agreements for the financial year ending 2025 is RMB42,789,000.

Given that the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement and the 2025 Welding Wire Supply 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 respectively. The aggregate proposed annual caps for the transactions contemplated under the 2025 Hilong Energy CCT Agreements for the financial year ending 2025 is RMB406,048,000.

As the highest applicable percentage ratio of the aggregate proposed annual caps of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements exceeds 5% respectively, 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.

LETTER FROM THE BOARD

Mr. Zhang, who has material interests in the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 2025 Renewed Tenancy CCT Agreements and 2025 Hilong Energy CCT Agreements shall abstain from voting to approve the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto accordingly. Save as disclosed above, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting as no other Shareholder has any interest in the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements which are different from the other Shareholders.

6. EGM

The EGM will be convened and held to consider and, if thought fit, approve the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

The Independent Board Committee comprising Mr. WANG Tao, 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

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 Friday, 10 January 2025 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Ordinary resolutions will be proposed at the EGM for the purpose of considering and, if thought fit, approving the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 Tuesday, 7 January 2025 to Friday, 10 January 2025, 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 Friday, 10 January 2025 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 Monday, 6 January 2025.

8. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee on page 39 of this circular, which contains its recommendation to the Independent Shareholders, and the letter of advice from the Independent Financial Adviser on pages 40 to 75 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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

LETTER FROM THE BOARD

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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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)

20 December 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) 2025 RENEWED TENANCY CCT AGREEMENTS; AND
(2) 2025 HILONG ENERGY CCT AGREEMENTS

We refer to the circular of the Company dated 20 December 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 38 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 40 to 75 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

Yours faithfully,
Independent Board Committee

Mr. WANG Tao
*Independent Non-executive
Director*

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

Mr. SHI Zheyang
*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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

20 December 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) 2025 RENEWED TENANCY CCT AGREEMENTS;
AND
(2) 2025 HILONG ENERGY CCT AGREEMENTS**

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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 20 December 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 each of the 2024 Supplemental Beijing Huashi Tenancy Agreements, the 2024 Supplemental Shine New Material Tenancy Agreement, the 2024 Supplemental Pipeline Tenancy Agreements, the 2024 Supplemental Coating Services and Hardbanding Services Agreement, and the 2024 Welding Wire Supply Agreement will expire on 31 December 2024, the Group and the relevant counterparties entered into the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements for a term of one year starting from 1 January 2025 to 31 December 2025.

As at the Latest Practicable Date, the counterparties under the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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

Given that the 2025 Renewed 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 respectively. The aggregate proposed annual caps for the transactions contemplated under the 2025 Renewed Tenancy CCT Agreements for the financial year ending 2025 is RMB42,789,000.

Given that the 2025 Hilong Energy CCT Agreements 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 respectively. The aggregate proposed annual caps for the transactions contemplated under the 2025 Hilong Energy CCT Agreements for the financial year ending 2025 is RMB406,048,000.

As the highest applicable percentage ratio of the aggregate proposed annual caps of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements exceeds 5% respectively, 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.

The Independent Board Committee comprising Mr. WANG Tao, 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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; (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; and (iii) the continuing connected transactions in relation to the renewal of tenancy agreements and the equipment lease agreement, details of which are set out in the circular of the Company dated 25 July 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

independent from the Company pursuant to the requirements under Rule 13.84 of the Listing Rules and therefore are qualified to give independent advice in respect of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements and the transactions contemplated thereunder.

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, the counterparties under the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements or their respective substantial shareholders, subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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.

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2023 (“FY2022” and “FY2023”, respectively) as extracted from the annual results announcement of the Company for FY2023 and the six months ended 30 June 2023 and 2024 (“6M2023” and “6M2024”, respectively) as extracted from the interim results announcement of the Company for 6M2024:

Financial performance

	FY2022 <i>RMB'000</i> (audited) Restated	FY2023 <i>RMB'000</i> (audited)	6M2023 <i>RMB'000</i> (unaudited) Restated	6M2024 <i>RMB'000</i> (unaudited)
Revenue	3,072,915	4,251,531	1,846,736	2,465,641
– Oilfield equipment manufacturing and services	1,901,759	2,614,421	1,109,431	1,132,464
– Oilfield services	1,057,479	1,168,928	588,661	923,497
– Offshore engineering services	113,677	468,182	148,644	409,680
Gross profit	685,130	915,466	435,808	578,304
Operating profit	465,398	434,509	301,288	229,110
(Loss)/profit for the year/period from continuing operations	(41,832)	195,736	28,327	46,556

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2023 vs FY2022

The Group's revenue increased by approximately 38.4% from approximately RMB3,072.9 million for FY2022 to approximately RMB4,251.5 million for FY2023, which was mainly due to the increase in revenue from the oilfield equipment manufacturing and services and offshore engineering services segment. The sales volume of drill pipes in the PRC market increased significantly by approximately 74.0% from approximately 9,570 tonnes for FY2022 to approximately 16,651 tonnes for FY2023.

The gross profit increased by approximately 33.6% from approximately RMB685.1 million for FY2022 to approximately RMB915.5 million for FY2023. Gross profit margin was 21.5% for FY2023, representing a decrease of approximately 0.8% from 22.3% for FY2022.

The Group achieved turnaround from loss for the year from continuing operations of approximately RMB41.8 million for FY2022 to profit of approximately RMB195.7 million for FY2023 mainly due to the increase in gross profit.

6M2024 vs 6M2023

The Group's revenue increased by approximately 33.5% from approximately RMB1,846.7 million for 6M2023 to approximately RMB2,465.6 million for 6M2024, which was mainly due to the increase in revenue from oilfield services and the offshore engineering services segment.

The gross profit increased by approximately 32.7% from approximately RMB435.8 million for 6M2023 to approximately RMB578.3 million for 6M2024. Gross profit margin was 23.5% for 6M2024, representing a decrease of approximately 0.1% from 23.6% for 6M2023.

The Group's profit for the period from continuing operations increased by approximately 64.4% from approximately RMB28.3 million for 6M2023 to approximately RMB46.6 million for 6M2024, which was mainly due to the increase in gross profit offset by the increase in net foreign exchange losses.

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Financial position

	As at 31 December		As at
	2022	2023	30 June
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
	Restated		
Non-current assets, including:	3,280,453	2,817,366	2,877,613
– Property, plant and equipment	2,534,691	2,315,342	2,337,580
Current assets, including:	4,611,607	5,140,557	5,235,582
– Inventories	1,260,851	1,076,014	1,161,561
– Trade and other receivables	1,678,712	2,397,381	2,853,277
Total assets	7,892,060	7,957,923	8,113,195
Current liabilities, including:	1,868,106	4,394,855	4,507,996
– Trade and other payables	981,740	1,395,278	1,636,266
– Borrowings	701,730	2,744,476	2,721,975
Non-current liabilities, including:	2,706,052	234,063	276,612
– Borrowings	2,593,263	119,436	171,879
Total liabilities	4,574,158	4,628,918	4,784,608
Net assets	3,317,902	3,329,005	3,328,587
Equity attributable to the Shareholders	3,286,114	3,335,539	3,334,592

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As at 30 June 2024, total assets of the Group were approximately RMB8,113.2 million, which mainly consisted of (1) property, plant and equipment of approximately RMB2,337.6 million; (2) inventories of approximately RMB1,161.6 million; and (3) trade and other receivables of approximately RMB2,853.3 million.

As at 30 June 2024, total liabilities of the Group were approximately RMB4,784.6 million, which mainly consisted of (1) borrowings of approximately RMB2,893.9 million; and (2) trade and other payables of approximately RMB1,636.3 million.

The Group's equity attributable to the Shareholders remained stable at approximately RMB3,334.6 million as at 30 June 2024, as compared to approximately RMB3,335.5 million as at 31 December 2023.

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

Hilong Petroleum Offshore Engineering is an indirect wholly-owned subsidiary of the Company incorporated in the PRC and is principally engaged in offshore oilfield service provision.

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 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.

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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. 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 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 50.31% 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);
- (4) approximately 5.33% by Zibo Juncihongchuang No. 1 Equity Investment Fund Partnership (Limited Partnership) (淄博雋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. (上海雋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 14 shareholders each holding less than 5% of the equity interest in Hilong Shine New Material.

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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.

Longhai Petroleum is an indirectly wholly-owned subsidiary of the Company incorporated in the Russian Federation in 2023 and is principally engaged in maintenance and upkeep of rotary guidance.

Longshi Investment is held as to 50.0% by Beijing Huashi Investment and 50.0% by Wuxi Hongyuan Enterprise Management Co., Ltd. (無錫虹元企業管理有限公司), an independent third party of the Group. It is principally engaged in investment management, business advisory, property management, and sales of daily articles.

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

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.

2. Reasons for and benefits of entering into the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements

2025 Renewed 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 Supplemental Beijing Huashi Tenancy Agreements will expire on 31 December 2024. The Company believes that it is time and cost efficient for the Group to continue to lease the premises under the 2025 Renewed 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 rent of six months with additional deposits aligns with normal market practice for similar properties and car parks in the vicinity of the leased premises. The Board also considers that the upfront payment of rent of six months is economically sensible and will not have material impact on the cash flow of the Group.

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The lease of the factory premises under the 2024 Supplemental Shine New Material Tenancy Agreement will expire on 31 December 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 2025 Renewed 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 Supplemental Pipeline Tenancy Agreements will expire on 31 December 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 2025 Renewed 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. The Group 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 rather than seeking alternative locations and lessors. Longhai Petroleum is expanding its manufacturing capacity in the region and requires premises dedicated to maintenance and manufacturing activities. Given the close proximities of Longhai Petroleum's operations to Pipeline Surgut and its desirable location, the Company believes it is beneficial to lease such premises from Pipeline Surgut.

The Group has been leasing other premises Longshi Investment for use as offices. The Group is in need for more office spaces and believes it is time and cost efficient to lease additional premises rather than to see for alternative locations, which would incur unnecessary moving costs and cause potential disruption to the daily operations.

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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 Supplemental Beijing Huashi Tenancy Agreements, the 2024 Supplemental Shine New Material Tenancy Agreement and the 2024 Supplemental Pipeline Tenancy Agreements will expire on 31 December 2024; (ii) by entering into the 2025 Renewed Tenancy CCT 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; and (iii) as discussed in the section headed "3. Principal terms of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements", the rentals under the 2025 Renewed Tenancy CCT Agreements are fair and reasonable, we consider the entering into of the 2025 Renewed 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.

2025 Hilong Energy CCT Agreements

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

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

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Furthermore, since both parties are familiar with each other's background, communication between parties would be faster and easier, risks and costs for transaction will also be reduced. Hilong Pipeline Group is also familiar with the business needs, quality standards and operation requirements of the Group. Moreover, since the Group's drill-pipe production facility and Hilong Pipeline's coating manufacturing plant are located close to each other, cooperating with Hilong Pipeline will save the Group considerable transportation costs. The entering into of the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement could provide flexibility to the Group in securing reliable coating services, hardbanding services and spraying and packaging services in 2025.

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

Based on the above, we concur with the Board that the entering into of the 2025 Hilong Energy 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.

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3. Principal terms of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements

Details of the terms of 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements:

(i) 2025 Renewed Beijing Huashi Tenancy Agreements

Date:	9 December 2024				
Term:	1 January 2025 to 31 December 2025				
	2025 Renewed Beijing Huashi Tenancy Agreement No. 1	2025 Renewed Beijing Huashi Tenancy Agreement No. 2	2025 Renewed Beijing Huashi Tenancy Agreement No. 3	2025 Renewed Beijing Huashi Tenancy Agreement No. 4	2025 Beijing Huashi Car Park Lease Agreement
Lessor:	Beijing Huashi Investment	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	Hilong Oil Service
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	20 car park spaces on B2/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, PRC
Leased area:	1,850.32 square meters	476.99 square meters	126.12 square meters	276.74 square meters	100.0 square meters

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Monthly rental:	RMB644,412.49 per month excluding utility and management fees (equivalent to approximately RMB11.45 per square metre per day)	RMB160,608.50 per month excluding utility and management fees (equivalent to approximately RMB11.07 per square metre per day)	RMB30,650.84 per month excluding utility and management fees (equivalent to approximately RMB7.99 per square metre per day)	RMB93,434.34 per month excluding utility and management fees (equivalent to approximately RMB11.10 per square metre per day)	RMB30,000.00 per month (equivalent to RMB1,500 per month per car park space)
Rental deposits:	RMB1,288,824.98	RMB321,217	RMB61,301.68	RMB186,868.68	Nil
Usage:	Office	Office	Office	Office	Car park
Payment:	The rental of 2025 Renewed Beijing Huashi Tenancy Agreements are payable by Hilong Oil Service in every six months period. Hilong Oil Service is required to pay the first six months of rental with the rental deposits on the date of the 2025 Renewed Beijing Huashi Tenancy Agreements. Thereafter, Hilong Oil Service is required to pay the second six months of rental 15 days prior to the start of the second six months period.				
Renewal of leases:	Prior to the expiration of the term of the 2025 Renewed 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 2025 Renewed 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 Supplemental Beijing Huashi Tenancy Agreements for the six months ended 31 December 2024 with the unit rental price of RMB340.31 per square meter per month; (ii) superior location of the premises and car park to be leased under the 2025 Renewed 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 and car park to be leased including the interior design and decorations; (iv) rental levels of similar properties and car parks 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 and car park to be leased, which is obtainable as public information from the online rental platforms.

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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 2025 Renewed Beijing Huashi Tenancy Agreements are fair and reasonable, we have reviewed the industry report on Grade A office market in Beijing for the third quarter of 2024 issued by Knight Frank, a leading independent real estate consultancy (<https://content.knightfrank.com/research/1528/documents/en/beijing-office-market-report-q3-2024-11636.pdf>) and we noted that the average rental in the area where the properties under the 2025 Renewed Beijing Huashi Tenancy Agreements are located was approximately RMB10.4 per square metre per day in the third quarter of 2024. The rentals of 2025 Renewed 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 2025 Renewed 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 2025 Beijing Huashi Car Park Lease Agreement, based on our search on the public website, we noted the long-term rental fee of car park spaces at Shimao Plaza, which is located at 13 Workers' Stadium North Road, Chaoyang District, Beijing, is RMB1,500 per month per car park space, which is consistent with the proposed monthly rental under the 2025 Beijing Huashi Car Park Lease Agreement.

Regarding the payment terms of the 2025 Renewed 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 it's a normal market practice to (a) require a deposit equal to one to three times of the monthly rental which is in line with the deposit required under the 2025 Renewed Beijing Huashi Tenancy Agreements; and (b) require rental to be paid quarterly in advance. The rental of 2025 Renewed Beijing Huashi Tenancy Agreements are payable by Hilong Oil Service in every six months period in advance. Taking into account (a) the superior location and interior conditions of the premises; and (b) that Beijing Huashi Investment has procured the property management company to provide the Group with a discount on property management fees and provide additional cleaning services, we consider the six-month payment in advance to be acceptable.

Based on the above, we consider the terms of the 2025 Renewed Beijing Huashi Tenancy Agreements are on normal commercial terms which are fair and reasonable.

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(ii) 2025 Renewed Shine New Material Tenancy Agreement

Date:	9 December 2024
Term:	1 January 2025 to 31 December 2025
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:	22,260.58 square meters
Monthly rental:	RMB428,654.36 per month (equivalent to approximately RMB0.63 per square metre per day). Accordingly, the total rental to be received by Hilong Group of Companies Ltd. under the agreement is RMB5,143,852.33.
Utility fees:	RMB166,666.67 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 RMB2,000,000.04.
Usage:	Manufacturing plant
Payment:	The total rental and utility fees in the amount of RMB7,143,852.37 is payable by Hilong Shine New Material within 15 days from the date of the 2025 Renewed Shine New Material Tenancy Agreement.

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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 2025 Renewed Shine New Material Tenancy Agreement by giving 60 days' prior written notice to Hilong Group of Companies Ltd. before the expiration of the 2025 Renewed 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 2025 Renewed Shine New Material Tenancy Agreement were 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 Supplemental Shine New Material Tenancy Agreement for the six months ended 31 December 2024; (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 2025 Renewed 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 the rentals charged by the Group are lower than the market rental range of approximately RMB0.75 to RMB1.3 per square metre per day and the median market rental of approximately RMB0.8 per square metre per day, the relatively lower rental charged by the Group are mainly due to that (i) the Group's plants under the 2025 Renewed Shine New Material Tenancy Agreement were built in 2009 and had lower construction standards than the surrounding new plants, which were mostly constructed around 2013 to 2015; and (ii) while the repair and maintenance costs are normally bear by the lessor, Hilong Shine New Material as lessee is responsible for the repair and maintenance costs of the plants under the 2025

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Renewed 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 2025 Renewed Shine New Material Tenancy Agreement would amount to approximately RMB0.87 per square metre per day, which is higher than the median market rental. In addition, the Company would save the hassle and administrative costs for conducting the repair and maintenance for the factory. The payment of a full year's rental in advance by Hilong Shine New Material is favourable to the Group.

Regarding the utility fee under the 2025 Renewed Shine New Material Tenancy Agreement, we noted the decrease in monthly utility fee as compared to that under the 2024 Supplemental Shine New Material Tenancy Agreement is mainly due to the expected decrease of business activity of Hilong Shine New Material based on its existing orders.

Based on the above, we consider the terms of the 2025 Renewed Shine New Material Tenancy Agreement are on normal commercial terms which are fair and reasonable.

(iii) 2025 Renewed Pipeline Tenancy Agreements

Date:	9 December 2024			
Term:	1 January 2025 to 31 December 2025			
	2025 Renewed Pipeline Tenancy Agreement No. 1	2025 Renewed Pipeline Tenancy Agreement No. 2	2025 Renewed Pipeline Tenancy Agreement No. 3	2025 Pipeline Tenancy Agreement No. 4
Lessor:	Hilong Group of Companies Ltd.	Hilong Group of Companies Ltd.	Technomash	Pipeline Surgut

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Lessee:	Hilong Pipeline	Shenglong Oil and Gas	Drilling Technology	Longhai Petroleum
Leased premises:	Premises in D plant, F plant, 4th floor of main building and 3rd floor of dining hall, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC	Premises in F plant, G plant, 4th floor of main building and 3rd floor of dining hall, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC	Premises in 47/1, Building 10A, 10B and 10C, Demyan Bedny Street, Nevyansk, Sverdlovsk Region, Russian Federation	Premises in Building 1, 6 Imeni Glukhov Street, Yugra, Surgut City, Khanty-Mansiysk Autonomous Okrug Region, Russian Federation
Leased area:	15,713.21 square meters	2,674.30 square meters	19,640.87 square meters	1,311.80 square meters
Monthly rental:	RMB300,939.50 per month (equivalent to approximately RMB0.63 per square metre per day)	RMB42,387.37 per month (equivalent to approximately RMB0.52 per square metre per day)	RUB10,825,687.92 per month (equivalent to approximately RUB18.12 per square metre per day and approximately RMB757,570.88 per month) (inclusive of water and electricity fees)	RUB1,027,788 per month (equivalent to approximately RUB25.76 per square metre per day and approximately RMB71,923.58 per month) (inclusive of water and electricity fees)
Utility fees:	RMB666,666.67 per month	RMB12,500 per month		
Usage:	Office use and manufacturing plant	Office use and manufacturing plant	Office use and manufacturing plant	Office

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Payment:	The total rental and utility fees in the amount of RMB11,611,274.05 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 RMB658,648.44 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 RUB129,908,255.04 (equivalent to approximately RMB9,090,850.60).	At the end of calendar month, but not later than the fifth day of the month following the reporting month, the lessor sends the lessee the invoice for payment. The amount of rental fees on the invoice is payable by the lessee to the lessor within 90 days upon receiving the invoice. The total rental under the agreement is RUB12,333,456 (equivalent to approximately RMB863,083).
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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 2025 Renewed 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 Supplemental Pipeline Tenancy Agreement No. 1, 2024 Supplemental Pipeline Tenancy Agreement No. 2 and 2024 Supplemental Pipeline Tenancy Agreement No. 3; (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

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utilities as set by the government or the utilities suppliers and the estimated consumption level of Hilong Pipeline, Shenglong Oil and Gas and Hilong Group of Companies Ltd. 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 2025 Renewed 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 the rentals charged by the Group are lower than the market rental range of approximately RMB0.75 to RMB1.3 per square metre per day and the median market rental of approximately RMB0.8 per square metre per day. 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 2025 Renewed 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 around 2013 to 2015; and (ii) while the repair and maintenance costs are normally bear 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 2025 Renewed 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 2025 Renewed Pipeline Tenancy Agreements No. 1 and No. 2 would amount to approximately RMB0.87 and RMB0.76 per square metre per day, which is close to the median market rental. In addition, 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. The payment of a full year's rental in advance by Hilong Pipeline and Shenglong Oil and Gas is favourable to the Group. Regarding the utility fee under the 2025 Renewed Pipeline Tenancy Agreements No. 1 and No. 2, we noted the decrease in monthly utility fee as compared to that under the 2024 Supplemental Pipeline Tenancy Agreements No. 1 and No. 2 is mainly due to the expected decrease of business activity of Hilong Pipeline and Shenglong Oil and Gas.

As for the 2025 Renewed Pipeline Tenancy Agreement No. 3 and the 2025 Pipeline Tenancy Agreement No. 4, 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 noted that (i) the rental charged by Technomash of approximately RUB18.12 per square metre per day is lower than the median of the market rentals of approximately RUB31.23 per square metre per day; and (ii) the rental charged by Pipeline Surgut of approximately RUB25.76 per square metre per day is lower than the median of the market rentals of approximately RUB32.88 per square metre per

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day. As such, the monthly rentals under the 2025 Renewed Pipeline Tenancy Agreement No. 3 and the 2025 Pipeline Tenancy Agreement No. 4 are 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 Pipeline Surgut and the rental will be paid on a monthly basis, we consider the payment terms of the 2025 Renewed Pipeline Tenancy Agreement No. 3 and the 2025 Pipeline Tenancy Agreement No. 4 are favourable to the Group.

Based on the above, we consider the terms of the 2025 Renewed Pipeline Tenancy Agreements are on normal commercial terms which are fair and reasonable.

(iv) 2025 Longshi Investment Tenancy Agreement

Date:	9 December 2024
Term:	1 January 2025 to 31 December 2025
Lessor:	Longshi Investment
Lessee:	Hilong Petroleum Offshore Engineering
Leased premises:	Premises in 5/F and 6/F, Building 1, Lane 288 of Shenchang Road, Minhang District, Shanghai, PRC
Leased area:	1,006.94 square meters
Monthly rental:	RMB76,569.40 per month excluding utility fees and management
Rental deposits:	RMB153,138.80
Usage:	Office
Payment:	The rental of the 2025 Longshi Investment Tenancy Agreement is payable by Hilong Petroleum Offshore Engineering in every six months period. Hilong Petroleum Offshore Engineering is required to pay the first six months of rental with the rental deposits on the date of the 2025 Longshi Investment Tenancy Agreement. Thereafter, Hilong Petroleum Offshore Engineering is required to pay the second six months of rental 15 days prior to the start of the second six months period.

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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 Petroleum Offshore Engineering has the option to renew the 2025 Longshi Investment Tenancy Agreement by giving 60 days' prior written notice to Longshi Investment before the expiration of the 2025 Longshi Investment Tenancy Agreement. New tenancy agreements or renewal agreements may be entered into by the parties.

Regarding the 2025 Longshi Investment Tenancy Agreement, the terms were determined on arm's length basis and normal commercial terms taken into account: (i) 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; (ii) rental levels of similar properties in the vicinity of the leased premises (taking into account factors such as leased areas and floor levels); (iii) the conditions of the leased premises; and (iv) the availability of properties with similar sizes and in similar locations.

We have independently searched on the website of Anjuke for comparable properties with similar uses and locations and we noted that (i) the rental of approximately RMB2.50 per square metre per day charged by Longshi Investment is within the market rental range of approximately RMB2.0 to RMB4.0 per square metre per day and is lower than the median market rental of approximately RMB3.0 per square metre per day; and (ii) a deposit of two months' rent is in line with market practice. Given the relatively low rent, we consider the six-month payment in advance to be acceptable.

Based on the above, we consider the terms of the 2025 Longshi Investment Tenancy Agreement are on normal commercial terms which are fair and reasonable.

(v) 2025 Coating Services, Hardbanding Services and Spraying And Packaging Services Agreement

Date: 9 December 2024

Parties:

- i. Hilong Energy; and
- ii. Hilong Pipeline

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- Subject matter:** Hilong Pipeline Group shall provide Hilong Energy Group with coating services, hardbanding services and spraying and packaging services as and when requested by Hilong Energy Group during the term of the agreement.
- Term:** The 2025 Coating Services, Hardbanding Service and Spraying and Packaging Services Agreement will commence on 1 January 2025 and end on 31 December 2025, subject to renewal upon mutual agreement of both parties and compliance with the Listing Rules.
- Payment:** Hilong Energy Group shall pay Hilong Pipeline Group within 90 days from the date of invoice.
- Pricing policy:** Prices are determined after arm's length negotiations between the parties with references to prevailing market prices within the industry and considering regional price differences, with reference to:
- i. Coating services pricing policy
 - a. PRC Market: the reference prices formulated by China National Petroleum Corporation (CNPC) and China Petroleum & Chemical Corporation (Sinopec Corp.) for similar types, specifications, techniques, and standards of services on an annual basis. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the above reference prices.

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

- iii. Spraying and packaging services pricing policy
 - a. The prevailing market prices based on comparing quotations obtained from other Independent Third Party suppliers in the market for similar types, specifications, techniques, and standards of services; and
 - b. costs to be incurred by Hilong Pipeline Group for spraying and packaging services with a reasonable profit margin in the range of 20% to 35%. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period; while the actual profit margin will be based on the specifications, techniques and standards of drill-pipes. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the prevailing market prices.

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

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In assessing whether the terms of the 2025 Coating Services, Hardbanding Services and Spraying And Packaging Services Agreement are fair and reasonable, we have randomly selected and obtained two coating services agreements and two hardbanding services agreements (the “**Hilong Pipeline Agreements**”) entered into between the Group and Hilong Pipeline Group in 2024, with the aggregate transaction amount represented approximately 21.2% of the total transaction amount for coating services and hardbanding services entered into between the Group and Hilong Pipeline Group for the ten months ended 31 October 2024. As advised by the management of the Group, the Group did not enter into any agreements for spraying and packaging services with Hilong Pipeline Group in 2024. We have also obtained the price lists of coating services, hardbanding services and spraying and packaging services provided or to be provided by Hilong Pipeline Group (the “**Hilong Pipeline Price**”).

For comparison purpose, we have obtained (i) two quotations of coating services offered by CNPC and Sinopec Corp. to the Group in 2024 (the “**PRC Coating Price**”); (ii) five quotations of hardbanding services obtained by the Group in 2024 from three PRC Independent Third Party suppliers (the “**PRC Hardbanding Price**”); and (iii) one quotation of coating services, hardbanding services and spraying and packaging services obtained by the Group in 2024 from an Russian Independent Third Party supplier (the “**Overseas Price**”), which were all quotations obtained by the Group in 2024 from the Independent Third Party suppliers for coating services, hardbanding services and spraying and packaging services. The Group did not enter into any agreements for coating services, hardbanding services or spraying and packaging services with Independent Third Party suppliers in 2024. We consider the PRC Coating Price, the PRC Hardbanding Price and the Overseas Price to be fair and representative for comparison as the services provided under these quotations are comparable to the services provided by Hilong Pipeline Group. We noted the Group has obtained the quotations from Independent Third Party suppliers on an annual basis in 2024 and will enhance to a quarterly basis in 2025 to ascertain the prevailing market prices. The Group will monitor on the market, and timely update the price lists based on quotations provided by the Independent Third Party suppliers if there is any sudden change in the business environment that may cause significant price fluctuations. As such, we consider sufficient internal control measures have been put in place in determining the pricing of the transactions under the 2025 Coating Services, Hardbanding Services and Spraying And Packaging Services Agreement.

It is noted that (i) the price of coating services and hardbanding services on the Hilong Pipeline Agreements are priced in accordance with the Hilong Pipeline Price; (ii) the Hilong Pipeline Price for coating services in the PRC is set at a discount to the PRC Coating Price offered by CNPC and Sinopec Corp. in accordance with the terms of the 2024 Supplemental Coating Services and Hardbanding Services Agreement; (iii) the Hilong Pipeline Price for hardbanding services in the PRC is no less favourable than the PRC

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Hardbanding Price; and (iv) the Hilong Pipeline Price for the overseas market is no less favourable than the Overseas Price.

Based on our review of the agreements and quotations as stated above, we consider the prices under the Hilong Pipeline Agreements and the Hilong Pipeline Price are not being less favorable than the prevailing market prices offered by Independent Third Party suppliers for similar services. As such, we consider that the terms of the 2025 Coating Services, Hardbanding Services and Spraying And Packaging Services Agreement to be on normal commercial terms which are fair and reasonable.

(vi) 2025 Welding Wire Supply Agreement

Date:	9 December 2024
Parties:	i. Hilong Energy; and ii. Hilong Pipeline
Subject matter:	Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group during the term of the agreement.
Term:	The 2025 Welding Wire Supply Agreement will commence on 1 January 2025 and end on 31 December 2025, subject to renewal upon mutual agreement of both parties and compliance with the Listing Rules.
Payment:	Hilong Pipeline Group shall pay Hilong Energy Group within 90 days from the date of invoice.

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Pricing policy:

Prices are determined after arm's length negotiations between the parties with references (i) to the final price of welding wires and related products sold by Hilong Energy Group to Independent Third Parties in the current financial year; and (ii) the costs of the welding wires produced by Hilong Energy Group with a reasonable profit margin in the range of 80% to 90%, with additional costs of tariffs and exchange rate considered for overseas market. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period taken into account the uniqueness and extensively patented welding wire formula, and the relatively lower cost attributable to the high productivity of the welding wire equipment of Hilong Energy Group. Prior to determining the price of welding wires before transactions, the marketing department of Hilong Energy Group is required to conduct research on the prices of welding wires offered to the Independent Third Parties of the Group in similar transactions, or the market prices of similar products under similar sales terms and conditions if no similar transactions have occurred within the Group. After preliminary pricing discussions with cost center and financial department, the marketing department will submit pricing proposals to management of Hilong Energy Group and relevant departments for review and approval before entering into transactions.

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

In assessing whether the terms of the 2025 Welding Wire Supply Agreement are fair and reasonable, we have selected in a random basis and reviewed three orders for welding wires and related products entered into between the Group and Hilong Pipeline Group in 2024, with the aggregate transaction amount represented approximately 19.3% of the total transaction amount for welding wires and related products entered into between the Group and Hilong Pipeline Group for the ten months ended 31 October 2024. For comparison purpose, we have also obtained three agreements for similar welding wires and related products entered into between the Group and Independent Third Party customers in 2024. It is noted that the price offered by the Group to the Hilong Pipeline Group was no less favourable to the Group than the price offered by the Group to Independent Third Party customers. Based on our review of the agreements as stated above, we consider the terms of the 2025 Welding Wire Supply Agreement to be 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) terms of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements are on normal commercial terms, fair and reasonable, and (ii) the transactions and the pricing policy are conducted in accordance with the terms of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements.

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

Prior to entering into the 2025 Renewed 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. The financial department of the Company will regularly monitor the 2025 Renewed 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 2025 Renewed 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

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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.

For the transactions under the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement, the relevant staff of the marketing department will obtain at least two quotations, on a quarterly basis, from Independent Third Party service providers selected from a list of pre-approved coating services, hardbanding services and spraying and packaging services providers maintained by the Group from time to time ("**Pre-approved Supplier List**"). The criteria of the Pre-approved Supplier List include, among others, production capabilities and quality, qualifications, reputation, experience and location. The Pre-approved Supplier List is then approved by both the heads of the marketing department and procurement department and is subject to review annually. The selection basis of the two Independent Third Party service providers for quotation include their performance in recent completed projects, current service capacity, delivery timeline and competitiveness of pricing terms offered. The quotations together with the relevant supporting documents will then be reviewed by the financial department and then approved by the CCT IC Committee, to ensure that the pricing and terms of the coating services, hardbanding services and spraying and packaging services provided by Hilong Pipeline Group will be no less favorable to the Group as compared to other quotations received from Independent Third Party service providers.

Before entering into the transactions under the 2025 Welding Wire Supply Agreement, the marketing department will closely monitor the prices of the welding wires offered to Hilong Pipeline by evaluating the average price of the welding wires offered to the Independent Third Parties of the Group and the market prices of similar products under similar sales terms and conditions. For the evaluation mentioned above, the marketing department of the Group will first collect market price information available in the public domain. The CCT IC Committee will then discuss and review the prices and conditions of the welding wires offered to Hilong Pipeline (taking into account various factors such as costs, transaction volume, sales channel and market competition). In the event of market fluctuations, the CCT IC Committee will also convene meetings on an urgent basis. If at any time the relevant departments of the Group become aware that the price of welding wires offered to Hilong Pipeline is lower than that offered by the Group to Independent Third Parties and/or the terms of welding wires offered to Hilong Pipeline Group are more favorable than those offered by the Group to Independent Third Parties, such findings shall be reported to the CCT IC Committee immediately. The CCT IC committee shall then discuss with the Board to adjust the price offered to Hilong Pipeline Group and/or amend the relevant terms. Hilong Energy Group will only supply welding wires to Hilong Pipeline Group when the sales prices and conditions offered to Hilong Pipeline Group are no more favorable than those being offered to Independent Third Party and to ensure that all transactions with Hilong Pipeline Group will comply with the terms of the 2025 Welding Wire Supply Agreement.

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To ensure the transactions contemplated under the 2025 Hilong Energy CCT Agreements do not exceed the respective proposed annual caps, the financial department of the Company will regularly monitor the actual transaction amount under the 2025 Hilong Energy CCT Agreements on a monthly basis and submit monthly reports to the CCT IC Committee to evaluate and review the implementation progress of the continuing connected transactions. If the financial department notices that the transactions under the 2025 Hilong Energy CCT Agreements will have the possibility of exceeding the respective proposed annual caps, it will notify the business and legal departments of the Group at once, as well as the CCT IC Committee to take next steps to ensure compliance with the relevant Listing Rules.

The audit department of the Company will review the continuing connected transactions under the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement and the 2025 Welding Wire Supply Agreement annually to check and confirm (among others) the fairness of the pricing terms, the implementation of continuing connected transactions, and the compliance of contract approval, ensuring that the internal control processes and operational procedures are complied in accordance with the requirements of the Management System and the Listing Rules.

The independent non-executive Directors will review the continuing connected transactions under the 2025 Hilong Energy CCT Agreements annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.

The Company's external auditors will review the continuing connected transactions under each of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded.

As mentioned in the section headed “3. Principal terms of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements” above, we have (i) reviewed the industry report on Grade A office market in Beijing for the third quarter of 2024 issued by Knight Frank; (ii) searched on the websites of Anjuke and Cian for properties comparable to those under the 2025 Renewed Tenancy CCT Agreements; (iii) reviewed the Hilong Pipeline Agreements, the PRC Coating Price, the PRC Hardbanding Price, the Overseas Price and the Hilong Pipeline Price; and (iv) reviewed three welding wires orders of Hilong Pipeline Group and three welding wires agreements of Independent Third Party customers and noted the Group has determined the price of welding wires offered to Hilong Pipeline Group with reference to the prices of welding wires offered to the Independent Third Party customers in the same year. Taking into account (i) based on our above review, we consider the Company has followed the relevant internal control procedures and the terms of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements are on normal commercial terms which are fair and reasonable; (ii) the Group has obtained quotations from the Independent Third Party suppliers on an annual basis for comparison to ensure that the pricing of the transactions under the 2024 Supplemental Coating Services and Hardbanding Services Agreement was in line with the market prices; (iii) we have obtained and reviewed market price information of copper, iron ore, ferrosilicon and oxygen-free copper wire collected by the Group from the public domain on a quarterly basis in 2024. These commodities are important raw materials for coating services, hardbanding services and welding wires, and are considered to have a significant impact on their prices. The Group will monitor on the market, and timely update the price lists based on quotations provided by the Independent Third Party suppliers if there is any sudden change in the business environment that may cause significant price fluctuations; (iv) the ongoing monitoring of the transactions under the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements; and (v) 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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.

5. Assessment of the proposed annual caps

(i) 2025 Renewed Tenancy CCT Agreements

The annual cap of each of the 2025 Renewed Tenancy CCT Agreements equals to the total rental under the respective agreement.

As mentioned in the section headed “3. Principal terms of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements”, we consider the monthly rental of each of the 2025 Renewed

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Tenancy CCT Agreements is fair and reasonable. Therefore, we consider the proposed annual cap of each of the 2025 Renewed Tenancy CCT Agreements to be fair and reasonable.

(ii) 2025 Hilong Energy CCT Agreements

The historical transaction amounts and annual caps in relation to the coating services and hardbanding services provided by Hilong Pipeline Group and the welding wires and related products provided by Hilong Energy Group are set out below:

	Historical transaction amount for ten months ended 31 October 2024 RMB'000	Annual cap for the year ending 31 December 2024 RMB'000	Utilisation rate
Coating services and hardbanding services provided by Hilong Pipeline to Hilong Energy	224,882	278,000	80.9%
Welding wires and related products provided by Hilong Energy to Hilong Pipeline	11,441	19,060	60.0%

2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement

The proposed annual cap inclusive of VAT is RMB382,048,000 and the corresponding amount exclusive of VAT is RMB329,063,000. In assessing the proposed annual cap under the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement, we have reviewed the relevant calculations of the proposed annual cap. We noted that the historical transaction amounts (exclusive of VAT) in relation to the coating services and hardbanding services were approximately RMB224.9 million for the ten months ended 31 October 2024, amounting to approximately RMB269.9 million on an annualised basis, approximately RMB314.0 million for FY2023 and approximately RMB230.1 million for FY2022. The average historical transaction amount is approximately RMB271.3 million per year, compared to which the proposed annual cap of RMB329,063,000 (exclusive of VAT) for the year ending 31 December 2025 represents an

increase of approximately 21.3%. We consider that using the average historical transaction amount rather than the annualised transaction amount for the ten months ended 31 October 2024 to make the estimate is able to filter out short-term fluctuations in demand and provide a more accurate reflection of the overall demand, especially as the current crude oil market is increasingly uncertain due to geopolitical conflicts.

Taking into account that (i) the Group requires coating services, hardbanding services and spraying and packaging services for drill pipes production and sales during its ordinary and usual course of business; (ii) the Group's revenue generated from sales of drill pipes increased by approximately 33.4% for FY2023; (iii) the expected growth rate of transaction amount in 2025 is lower than the historical growth rate of the Group's revenue generated from sales of drill pipes, which we consider to be prudent and reasonable; and (iv) the new demand for spraying and packaging services, we consider the expected growth rate and therefore the proposed annual cap under the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement to be fair and reasonable.

2025 Welding Wire Supply Agreement

The proposed annual cap inclusive of VAT under the 2025 Welding Wire Supply Agreement is RMB24,000,000 and the corresponding amount exclusive of VAT is RMB20,030,000. We have reviewed the relevant calculations of the proposed annual cap and noted the historical transaction amounts (exclusive of VAT) in relation to the welding wires and related products provided by the Group were approximately RMB11.4 million for the ten months ended 31 October 2024, amounting to approximately RMB13.7 million on an annualised basis, approximately RMB21.7 million for FY2023 and approximately RMB22.7 million for FY2022. The average historical transaction amount is approximately RMB19.4 million per year, compared to which the proposed annual cap of RMB20,030,000 (exclusive of VAT) for the year ending 31 December 2025 represents an increase of approximately 3.2%. We consider that using the average historical transaction amount rather than the annualised transaction amount for the ten months ended 31 October 2024 to make the estimate is able to filter out short-term fluctuations in demand and provide a more accurate reflection of the overall demand, especially as the current crude oil market is increasingly uncertain due to geopolitical conflicts.

Taking into account that (i) Hilong Pipeline Group purchases the welding wires produced by the Hilong Energy Group for processing into hardbanding; (ii) the increase in the Group's revenue generate from sale of drill pipes would lead to an increase demand for hardbanding services supplied by Hilong Pipeline Group, which in turn leads to an increase demand for welding wires produced by the Hilong Energy

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Group; (iii) the expected growth in transaction amount related to the coating services and hardbanding services as discussed above; and (iv) the expected transaction amount exclusive of VAT is generally in line with the average historical transaction amount, we consider the expected growth rate and therefore the annual cap of the 2025 Welding Wire Supply Agreement to be fair and reasonable.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy 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 2025 Renewed Tenancy CCT Agreements and the 2025 Hilong Energy CCT Agreements 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 the 2025 Renewed Tenancy CCT Agreements, the 2025 Hilong Energy CCT Agreements 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	48.87%
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%
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 2023 (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) in respect of the leasing of 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) and a tenancy agreement with Technomash LLC (as lessor) in respect of the leasing of premises, respectively, on 1 July 2024;
- (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 in respect of the leasing of premises, respectively on 1 July 2024;
- (D) The Group (as lessor) has entered into an equipment lease agreement with Hilong Petroleum Pipeline Service (Surgut) LLC (as lessee) on 1 July 2024;
- (E) The Group has entered into the coating services and hardbanding services agreement dated 22 December 2023 and the supplemental agreement dated 27 February 2024 with Hilong Pipeline in respect of coating services and hardbanding services; and
- (F) Hilong Pipeline has entered into the welding wire supply agreement with the Group in respect of welding wires and related products 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, 18 June 2024, 8 July 2024, 22 August 2024, 27 September 2024, 18 October 2024, 27 October 2024 and 18 November 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, the establishment of the investigation committee, the resignation of former auditor of the Company, the resumption guidance, the quarterly update on status of resumption, the appointment of new auditor of the Company, further delay in publication of annual results announcement and delay in despatch of the annual report for the year ended 31 December 2023 and delay in publication of the interim results and

dispatch of the interim report for the six months ended 30 June 2024, the quarterly update on status of resumption, key findings of the investigation, the announcement of annual results for the year ended 31 December 2023 and the announcement of interim results for the six months ended 30 June 2024, the update on the Notes (as defined in the announcement dated 18 November 2024) and progress of offshore debt restructuring, and published in the 2023 Annual Report, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023 (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.* (上海金鎗實業有限公司) 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 2023 (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 2025 Renewed Beijing Huashi Tenancy Agreements;
- (b) the 2025 Renewed Shine New Material Tenancy Agreement;
- (c) the 2025 Renewed Pipeline Tenancy Agreements (including bilingual version of the 2025 Pipeline Tenancy Agreement No. 4);
- (d) the 2025 Longshi Investment Tenancy Agreement;
- (e) the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement;
- (f) the 2025 Welding Wire Supply Agreement;
- (g) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (h) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (i) the written consent of the expert referred to in the section headed “9. Experts” in this appendix; and
- (j) this circular.

* For identification purpose only



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 2025 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2025 first 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 Friday, 10 January 2025 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 2025 Renewed Beijing Huashi Tenancy Agreements dated 9 December 2024 referred to in the sub-section headed “2. (A) 2025 Renewed Beijing Huashi Tenancy Agreements” in the “Letter from the Board” contained in the circular dated 20 December 2024 (the “**Circular**”) of the Company of which this notice forms part and the transactions contemplated thereunder and the proposed 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 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.”

2. **“THAT:**

- (a) the 2025 Renewed Shine New Material Tenancy Agreement dated 9 December 2024 referred to in the sub-section headed “2. (B) 2025 Renewed Shine New Material Tenancy Agreement” in the “Letter from the Board” contained in the Circular of which this notice forms part and the transactions contemplated thereunder and the proposed annual cap, be and are hereby approved, confirmed and ratified; and

* For identification purpose only

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 transactions 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."

3. "THAT:

- (a) the 2025 Renewed Pipeline Tenancy Agreements dated 9 December 2024 referred to in the sub-section headed "2. (C) 2025 Renewed 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 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 transactions 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."

4. "THAT:

- (a) the 2025 Longshi Investment Tenancy Agreement dated 9 December 2024 referred to in the sub-section headed "2. (D) 2025 Longshi Investment Tenancy Agreement" in the "Letter from the Board" contained in the Circular of which this notice forms part and the transactions contemplated thereunder and the proposed 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 transactions 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."

NOTICE OF EGM

5. **“THAT:**

- (a) the 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement dated 9 December 2024 referred to in the sub-section headed “2. (E) 2025 Coating Services, Hardbanding Services and Spraying and Packaging Services Agreement” in the “Letter from the Board” contained in the Circular of which this notice forms part and the transactions contemplated thereunder and the proposed 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 transactions 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.”

6. **“THAT:**

- (a) the 2025 Welding Wire Supply Agreement dated 9 December 2024 referred to in the sub-section headed “2. (F) 2025 Welding Wire Supply Agreement” in the “Letter from the Board” contained in the Circular of which this notice forms part and the transactions contemplated thereunder and the proposed 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 transactions 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, 20 December 2024

NOTICE OF EGM

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 Wednesday, 8 January 2025 (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 Tuesday, 7 January 2025 to Friday, 10 January 2025, 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 Monday, 6 January 2025.

As of the date of this notice, the executive director of the Company is Mr. ZHANG Jun; 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, Mr. WONG Man Chung Francis and Mr. SHI Zheyang.