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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  
UNDER RULE 14A.60 OF THE LISTING RULES  
AND  
MTC TRANSACTION AGREEMENTS**

**CONTINUING CONNECTED TRANSACTIONS UNDER RULE 14A.60 OF THE LISTING RULES**

Unless otherwise defined herein, capitalized terms in this announcement shall have the same meanings as those defined in the Announcements.

Upon the Completion, Technomash has ceased to be a subsidiary of and became a connected person of the Company.

The Company has continuously reviewed transactions with its connected persons and strengthened the oversight and implementation of its management system on connected transactions. During its internal audit, preparation for the Company's 2024 annual results announcement and its on-going internal control review, business units and its internal control review committee revisited relevant transactions. It has come to the Company's attention that Drilling Technology had entered into the Drill Pipe Supply Agreement with Technomash prior to the Completion. Since Technomash has become a connected person of the Company upon the Completion, the continuing transactions conducted under the Drill Pipe Supply Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

**Listing Rules Implication**

Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements (including publication of announcement and annual reporting) under Chapter 14A of the Listing Rules in respect of the transactions under the Drill Pipe Supply Agreement.

The Drill Pipe Supply Agreement should have been, but were not, announced in the Announcements in accordance with Rule 14A.60(1) of the Listing Rules. The non-timely disclosure of the Drill Pipe Supply Agreement was due to an unintentional and inadvertent oversight.

## **MTC TRANSACTION AGREEMENTS**

Reference is made to the announcements dated 16 October 2024 and 18 October 2024 in relation to, among others, key findings of the investigation and the annual results for the year ended 31 December 2023 and the Consolidation. After the Company retrospectively obtained control over MTC pursuant to a cooperation agreement dated 1 August 2024 and discussions with the current auditor of the Company, the Board considered that it is appropriate for MTC's financial statements to be consolidated into the Group's consolidated financial statements.

Accordingly, the following transactions under the MTC Transaction Agreements between MTC and connected persons of the Company, namely Technomash and Pipeline Surgut, would constitute connected transactions under Chapter 14A of the Listing Rules after the Consolidation:

- (1) the Coating Services, Hardbanding Services and Spraying and Warehousing Services Agreement, pursuant to which Technomash shall provide MTC with coating services, hardbanding services and spraying and warehousing services as and when requested by MTC;
- (2) the Drill Pipe and Welding Wire Supply and Painting Services Agreement, pursuant to which MTC shall supply drill pipes and welding wires to Technomash and provide painting services as and when requested by Technomash; and
- (3) the Angle Valve and Sealing Ring Agreement, pursuant to which MTC shall provide angle valves and sealing rings to Pipeline Surgut as and when requested by Pipeline Surgut.

As at the date of this announcement, the MTC Transaction Agreements have been terminated.

## **Listing Rules Implication**

The aggregate transaction amount for the transactions contemplated under the MTC Transaction Agreements for the financial year ended 31 December 2024 is approximately RMB84,894,000. As the highest applicable percentage ratio of the aggregated transactions for the MTC Transaction Agreements exceeds 5%, the connected transactions contemplated thereunder should be subject to, among other things, the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, the Board was unaware of the existence of MTC at the relevant time. As a result, no announcement was published, and no independent shareholders' approval had been obtained in relation to the MTC Transaction Agreements.

## **I. CONTINUING CONNECTED TRANSACTIONS UNDER RULE 14A.60 OF THE LISTING RULES**

Upon the Completion, Technomash has ceased to be a subsidiary of the Company. As of the date of this announcement, Technomash is wholly-owned by Hilong Pipeline, which is then wholly-owned by Hilong Shine New Material. Hilong Shine New Material is held as to approximately 50.31% by BHH Petroleum Machine Equipment, which is held as to approximately 95.65% by Mr. Zhang, the chairman of the Board, and approximately 4.35% by Ms. Zhang Jingying, the mother of Mr. Zhang. As such, Technomash is an associate of Mr. Zhang and thus a connected person of the Company.

The Company has continuously reviewed transactions with its connected persons and strengthened the oversight and implementation of its management system on connected transactions. During its internal audit, preparation for the Company's 2024 annual results announcement and its on-going internal control review, business units and its internal control review committee revisited relevant transactions. It has come to the Company's attention that Drilling Technology had entered into the Drill Pipe Supply Agreement with Technomash prior to the Completion. Since Technomash has become a connected person of the Company upon the Completion, the continuing transactions conducted under the Drill Pipe Supply Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements (including publication of announcement and annual reporting) under Chapter 14A of the Listing Rules in respect of the transactions under the Drill Pipe Supply Agreement.

The Drill Pipe Supply Agreement should have been, but were not, announced in the Announcements in accordance with Rule 14A.60(1) of the Listing Rules. The non-timely disclosure of the Drill Pipe Supply Agreement was due to its unintentional and inadvertent oversight. As at the date of this announcement, the Drill Pipe Supply Agreement has been terminated.

### **Drill Pipe Supply Agreement**

#### **Principal Terms**

<b>Date:</b>	30 July 2020
<b>Parties:</b>	i. Drilling Technology; and ii. Technomash
<b>Term:</b>	One year, automatically renewed until terminated by 30 days prior written notice
<b>Subject:</b>	Drilling Technology shall supply drill pipes to Technomash.

**Pricing policy:** Drill Pipes were sold by Drilling Technology to Technomash at cost without profit margin.

**Payment and settlement terms:** Technomash shall pay Drilling Technology within 180 days after receipt of drill pipes.

#### **Historical transaction amount**

The historical transaction amounts under the Drill Pipe Supply Agreement for the period from 1 January 2024 to 29 July 2024 (being the termination date of the Drill Pipe Supply Agreement) was RUB224,521,000 (equivalent to approximately RMB17,569,000).

#### **Reasons for entering into the Drill Pipe Supply Agreement**

The ordinary and usual course of business of Drilling Technology involves manufacturing and supply of drill pipes. The Company believes that it is crucial to establish a stable and reliable sales channel in the region to maintain its operational efficiency. Technomash was selected as an approved drill pipe supplier by certain drill pipe clients as Technomash was specialized and experienced in the supply of drill pipe and possessed specific qualifications. Due to years of cooperation between Technomash and certain drill pipe clients, the relevant clients only accepted drill pipes sold by designated supplier with specific qualifications. In this connection, Technomash acted as an intermediate purchaser for Drilling Technology to satisfy requirements of relevant drill pipe clients prior to the Completion.

## **II. MTC TRANSACTION AGREEMENTS**

Reference is made to the announcements dated 16 October 2024 and 18 October 2024 in relation to, among others, key findings of the investigation and the annual results for the year ended 31 December 2023 and the Consolidation. After the Company retrospectively obtained control over MTC pursuant to a cooperation agreement dated 1 August 2024 and discussions with the current auditor of the Company, the Board considered that it is appropriate for MTC's financial statements to be consolidated into the Group's consolidated financial statements.

Accordingly, the following transactions under the MTC Transaction Agreements between MTC and connected persons of the Company, namely Technomash and Pipeline Surgut, would constitute connected transactions under Chapter 14A of the Listing Rules after the Consolidation:

- (1) the Coating Services, Hardbanding Services and Spraying and Warehousing Services Agreement, pursuant to which Technomash shall provide MTC with coating services, hardbanding services and spraying and warehousing services as and when requested by MTC;

- (2) the Drill Pipe and Welding Wire Supply and Painting Services Agreement, pursuant to which MTC shall supply drill pipes and welding wires to Technomash and provide painting services as and when requested by Technomash; and
- (3) the Angle Valve and Sealing Ring Agreement, pursuant to which MTC shall provide angle valves and sealing rings to Pipeline Surgut as and when requested by Pipeline Surgut.

**(A) Coating Services, Hardbanding Services and Spraying and Warehousing Services Agreement**

**Principal Terms**

**Date:** 9 January 2024

**Parties:**

- i. Technomash; and
- ii. MTC

**Term:** 9 January 2024 to 31 December 2024

**Subject:** Technomash shall provided MTC with coating services, hardbanding services and spraying and warehousing services as and when requested by MTC during term of the agreement.

**Pricing policy:**

- i. Coating services and spraying and warehousing services

Prices are determined after arm's length negotiations between the parties with references to prevailing market within the industry.

- ii. Hardbanding services

Prices are determined based on cost incurred by Technomash plus a profit margin of 10%.

- iii. Other related processing services are determined based on prevailing market rates.

**Payment and settlement terms:** MTC shall pay Technomash within 90 days after provision of coating services and hardbanding services and within 180 days after provision of spraying and warehousing services.

### Historical transaction amount

The total historical amounts under the Coating Services, Hardbanding Services and Spraying and Warehousing Services Agreement are set out as follows:

	<b>Amount</b> <i>(RUB'000)</i>	<b>Equivalent approximate amount</b> <i>(RMB'000)</i>
<b>For the six months ended 30 June 2024</b>	273,801	21,429
<b>For the six months ended 31 December 2024</b>	Nil	Nil

### (B) Drill Pipe and Welding Wire Supply and Painting Services Agreement

#### Principal Terms

<b>Date:</b>	i. 9 January 2024 for MTC Drill Pipe Supply Agreement  ii. 16 January 2023 for MTC Welding Wire Supply and Painting Services Agreement
<b>Parties:</b>	i. MTC; and  ii. Technomash
<b>Term:</b>	i. One year, automatically renewed until terminated by 30 days prior written notice for MTC Drill Pipe Supply Agreement  ii. One year, automatically renewed until terminated by 30 days prior written notice for MTC Welding Wire Supply and Painting Services Agreement
<b>Subject:</b>	MTC shall supply drill pipes and welding wires to Technomash and provide Technomash with painting services as and when requested by Technomash during term of the agreements.
<b>Pricing policy:</b>	i. Drill pipes  Drill pipes were sold to Technomash by MTC at cost incurred from purchases from Independent Third Parties.

ii. Painting materials

Painting materials were sold to Technomash by MTC at cost incurred from purchases from Independent Third Parties plus a profit margin of 1.5%.

iii. Welding wires

Welding wires sold to Technomash by MTC at cost incurred from purchases from Independent Third Parties from plus a profit margin of 0.32%.

**Payment and settlement terms:** Technomash shall pay MTC within 180 days after receipt of drill pipes and welding wires and provision of painting services.

**Historical transaction amount**

The total historical amounts under the Drill Pipe and Welding Wire Supply and Painting Services Agreement are set out as follows:

	<b>Amount</b> <i>(RUB'000)</i>	<b>Equivalent approximate amount</b> <i>(RMB'000)</i>
<b>For the six months ended 30 June 2024</b>	809,712	63,456
<b>For the six months ended 31 December 2024</b>	Nil	Nil

**(C) Angle Valve and Sealing Ring Agreement**

**Principal Terms**

**Date:** 25 October 2022

**Parties:**

- i. MTC; and
- ii. Pipeline Surgut

**Term:** One year, automatically renewed until terminated by 30 days prior written notice

**Subject:** MTC shall supply angle valves and sealing rings to Pipeline Surgut.

**Pricing policy:** Angle valves and sealing rings were sold by MTC to Pipeline Surgut at cost incurred from purchases from Independent Third Parties.

**Payment and settlement terms:** Pipeline Surgut shall pay MTC within 90 days after receipt of angle valves and sealing rings.

#### **Historical transaction amount**

The total historical amounts under the Angle Valve and Sealing Ring Agreement are set out as follows:

	<b>Amount</b> <i>(RUB'000)</i>	<b>Equivalent approximate amount</b> <i>(RMB'000)</i>
<b>For the six months ended 30 June 2024</b>	115	9
<b>For the six months ended 31 December 2024</b>	Nil	Nil

#### **Reasons for entering into the MTC Transaction Agreements**

MTC operated as an intermediary supplier in Russia and the transactions conducted under the MTC Transaction Agreements formed an integral part of its business. Please refer to the announcement in relation to the key findings of the investigation dated 16 October 2024 for details. As at the date of this announcement, the MTC Transaction Agreements have been terminated.

#### **Listing Rules Implication**

The aggregate amount for the transactions contemplated under the MTC Transaction Agreements for the financial year ended 31 December 2024 is approximately RMB84,894,000. As the highest applicable percentage ratio of the aggregated transactions for the MTC Transaction Agreements exceeds 5%, the connected transactions contemplated thereunder should be subject to, among other things, the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, the Board was unaware of the existence of MTC at the relevant time. As the Company did not announce, issue circular or obtain shareholders' approval for the MTC Transaction Agreements, the Company acknowledges that the transactions under the MTC Transaction Agreements constituted non-compliance under Chapter 14A of the Listing Rules. Given that the MTC Transaction Agreements have been terminated, the Board (including the independent non-executive Directors) is of the view that it would not be meaningful for the Company to convene a general meeting for obtaining independent Shareholders' approval for approving and ratifying the MTC Transaction Agreements.



## **REMEDIAL ACTIONS**

The Company deeply regrets its non-compliance with the Listing Rules due to its unintentional and inadvertent oversight.

The Company is conducting an internal control review and rectifying any weakness, including matters related to corporate governance, capital management and related parties management. To prevent the reoccurrence of the similar incidents, the following remedial actions and measures have been taken by the Group, including (i) the implementation of a management system on connected transactions (“**Management System**”). Under the Management System, an internal control review committee (“**CCT IC Committee**”) is established and comprised the head of financial department, the head of the marketing department and the head of the audit department. The CCT IC Committee reported to the Board for all significant matters related to the continuing connected transactions of the Group; (ii) provide trainings to the management and employees of the Group on a periodic basis to improve their knowledge in accounting and the Listing Rules, including, corporate governance, notifiable and connected transactions requirements and financial reporting requirements; (iii) the Company has reviewed all previous transactions upon the Completion and the Consolidation, and as of the date of this announcement, the Company is not aware of any subsisting transaction which is required but has not yet been reported and/or announced by the Company, other than the Drill Pipe Supply Agreement and the MTC Transaction Agreements as disclosed in this announcement; and (iv) the Company has worked more closely with and seek advice from its professional advisers in a timely fashion on compliance issues.

## **INFORMATION ON THE PARTIES**

### **The Group**

The Group is principally engaged in the manufacture and distribution of oil and gas drilling equipment and provide oilfield and offshore engineering services worldwide. The Group operates its business through three segments, namely (1) drill pipe-related business; (2) oilfield services business; and (3) offshore-engineering services.

### **MTC**

MTC is principally engaged in oil and gas equipment trading and is established in 2022.

### **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, which is then wholly-owned by Hilong Shine New Material.

### **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.

## 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.

## 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 date of this announcement, 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 date of this announcement, Sinopec Group Capital was held as to 51.00% by China Petrochemical Corp. (中國石油化工集團有限公司) which is a state-owned enterprise and 49.00% by China Petroleum & Chemical Corporation (中國石油化工股份有限公司) which is listed on the Stock Exchange (stock code: 00386) and the Shanghai Stock Exchange (stock code: 600028);
- (3) approximately 6.06% by China Building Material (Anhui) New Materials Industry Investment Fund (Limited Partnership) (中建材(安徽)新材料產業投資基金合夥企業(有限合夥)) (“**CBM Anhui**”), a limited partnership incorporated under the laws of the PRC. As at the date of this announcement, the executive partner of CBM Anhui is China Building Materials (Anhui) New materials Fund Management Co., Ltd. (中建材(安徽)新材料基金管理有限公司) which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);
- (4) approximately 5.33% by Zibo Juncihongchuang No.1 Equity Investment Fund Partnership (Limited Partnership) (淄博隽賜虹創壹號股權投資基金合夥企業(有限合夥)) (“**Zibo Juncihongchuang**”), a limited partnership incorporated under the laws of the PRC. As at the date of this announcement, the executive partner of Zibo Juncihongchuang is Shanghai Junci Investment Co., Ltd. (上海隽賜投資管理有限公司), which is owned as to 51.00% by Zhang Fenglin (張鳳林) and 49.00% by Zhang Liying (張利英) who are Independent Third Parties; and
- (5) other 14 shareholders each holding less than 5% of the equity interest in Hilong Shine New Material.

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

## DEFINITIONS

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

“Angle Valve and Sealing Ring Agreement”	the agreement dated 25 October 2022 entered into between MTC and Pipeline Surgut in relation to the supply of angle valves and sealing rings by MTC to Pipeline Surgut
“Announcements”	the announcement dated 31 March 2023 in relation to the disposal of 100% equity interest in Hilong Pipeline by Hilong Group of Companies Ltd., the announcement dated 27 June 2023 in relation to continuing connected transactions pursuant to Rule 14A.60 of the Listing Rules
“associate”	Has the meaning ascribed to it under the Listing Rules
“Board”	the Board of Directors of the Company
“Coating Services, Hardbanding Services and Spraying and Warehousing Services Agreement”	the agreement dated 9 January 2024 entered into between Technomash and MTC in relation to the provision of coating services, hardbanding services and spraying and warehousing services by Technomash to MTC
“Company”	Hilong Holding Limited (海隆控股有限公司)* (stock code: 1623), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the disposal of the 100% equity interest in Hilong Pipeline in accordance with the terms and conditions of the equity transfer agreement dated 31 March 2023 entered into between Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司) and Shanghai Hilong Shine New Material Co., Ltd.* (上海海隆賽能新材料有限公司)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consolidation”	the consolidation of financial statements of MTC into the Group’s consolidated financial statements, as disclosed in the announcements dated 16 October 2024 and 18 October 2024 in relation to, among others, key findings of the investigation and the annual results for the year ended 31 December 2023 and the Consolidation
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules

“Director(s)”	the director(s) of the Company
“Drill Pipe and Welding Wire Supply and Painting Services Agreement”	collectively, the MTC Drill Pipe Supply Agreement and the MTC Welding Wire Supply and Painting Agreement
“Drill Pipe Supply Agreement”	the agreement dated 30 July 2020 entered into between Drilling Technology and Technomash in relation to the supply of drill pipes by Drilling Technology to Technomash
“Drilling Technology”	Drilling Technology Limited liability Company
“Group”	the Company and its subsidiaries
“Hilong Pipeline”	Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司), a company incorporated in the PRC with limited liability
“Hilong Pipeline Group”	Hilong Pipeline and its subsidiaries
“Hilong Shine New Material”	Shanghai Hilong Shine New Material Co., Ltd.* (上海海隆賽能新材料有限公司), a company incorporated in the PRC with limited liability and controlled by Mr. Zhang
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Zhang”	Mr. ZHANG Jun (張軍), the chairman of the Board, an executive Director and a controlling shareholder of the Company
“MTC”	Metal Technology Co., Ltd.
“MTC Drill Pipe Supply Agreement”	the agreement dated 9 January 2024 entered into between MTC and Technomash in relation to the supply of drill pipes by MTC to Technomash
“MTC Transaction Agreements”	collectively, the Coating Services, Hardbanding Services and Spraying and Warehousing Services Agreement, the Angle Valve and Sealing Ring Agreement and the Drill Pipe and Welding Wire Supply and Painting Services Agreement

“MTC Welding Wire Supply and Painting Services Agreement”	the agreement dated 16 January 2023 entered into between MTC and Technomash in relation to the supply of welding wires and the provision of painting services by MTC to Technomash
“Pipeline Surgut”	Hilong Petroleum Pipeline Service (Surgut) LLC
“PRC”	the People’s Republic of China which, for the purpose of this Announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	renminbi, the lawful currency of the People’s Republic of China
“RUB”	Russian Rubles, 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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technomash”	Technomash LLC
“%”	percent

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

Hong Kong, 21 February 2025

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

*\* For identification purpose only*