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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)

**CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
AND
REVISION OF ANNUAL CAP**

BACKGROUND OF THE RENEWAL AGREEMENTS

References are made to the announcements dated 1 August 2017 and 27 June 2018 in relation to the 2017 Tenancy Agreements and the 2018 Tenancy Agreement, respectively. Each of the 2017 Tenancy Agreements and the 2018 Tenancy Agreement has expired on 31 July 2020.

Having considered the commercial operating interests of the Company and the fair terms for renewing certain existing tenancy agreements under the 2017 Tenancy Agreements and the 2018 Tenancy Agreement, the Board announces that the Company has entered into the Renewed Beijing Huashi Tenancy Agreement, Renewed Longshi Investment Tenancy Agreements and Renewed Shine New Material Tenancy Agreement with its connected persons on 4 August 2020, with effect from the 1 August 2020.

* For identification purposes only

Renewal of 2017 Tenancy Agreements

Since each of the 2017 Tenancy Agreements has expired on 31 July 2020, on 4 August 2020, the Group as tenant entered into the following renewal agreements with the relevant counterparties:

- 1) Renewed Beijing Huashi Tenancy Agreement between Beijing Huashi Investment as landlord and Hilong Oil Service as tenant to lease office premises for a term commencing from 1 August 2020 to 31 December 2020; and
- 2) Renewed Longshi Investment Tenancy Agreements between Longshi Investment as landlord and the Group as tenant to lease two office premises for a term of three years commencing from 1 August 2020 to 31 July 2023.

Renewal of 2018 Tenancy Agreement

Since the 2018 Tenancy Agreement has expired on 31 July 2020, on 4 August 2020, Hilong Pipeline as landlord, entered into the Renewed Shine New Material Tenancy Agreement with Hilong Shine New Material as tenant in relation to the leasing of a factory premises for use as a manufacturing plant for a term commencing from 1 August 2020 to 31 December 2020.

Revision of Annual Cap

Due to the entering into the Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement, the original annual cap for the year ending 31 December 2020 under the Existing Tenancy Agreements would not be sufficient and need to be revised.

LISTING RULES IMPLICATIONS

The counterparties under the Renewed Beijing Huashi Tenancy Agreement, Renewed Longshi Investment Tenancy Agreements and Renewed Shine New Material Tenancy Agreement are all companies of which a majority of interests is controlled by Mr. ZHANG Jun, the controlling shareholder and a director of the Company. Therefore the said counterparties are associates of Mr. ZHANG Jun and thus the connected persons of the Company under Chapter 14A of the Listing Rules.

Given that the Existing Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement are (i) entered into by the Group and counterparties who are associates of Mr. ZHANG Jun and (ii) continuing connected transactions entered into within a 12-month period, the transactions contemplated under the Existing Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement would have to be aggregated for the purpose of considering the Company's compliance obligations pursuant to Rule 14A.81 of the Listing Rules. Accordingly, the original annual cap for the year ending 31 December 2020 for the continuing connected transactions under the Existing Tenancy Agreements would not be sufficient and need to be revised.

The leases contemplated under the Renewed Longshi Investment Tenancy Agreements constitute one-off connected transactions and the transactions contemplated under the Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratio(s) as defined under Rule 14.07 of the Listing Rules in respect of the value of the right-of-use assets (unaudited) of the leased premises under the Renewed Longshi Investment Tenancy Agreements and the Revised Annual Cap for the Existing Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement exceed(s) 0.1% but all of them are less than 5%, the connected transactions contemplated under the Renewed Longshi Investment Tenancy Agreements, the continuing connected transactions contemplated under the Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement and the Revised Annual Cap are therefore subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

References are made to the announcements of Company dated 1 August 2017 regarding the 2017 Tenancy Agreements. Since the 2017 Tenancy Agreements has expired on 31 July 2020, on 4 August 2020, the Group as tenant entered into the following renewal agreements with the relevant counterparties:

- 1) Renewed Beijing Huashi Tenancy Agreement between Beijing Huashi Investment as landlord and Hilong Oil Service as tenant to lease office premises for a term commencing from 1 August 2020 to 31 December 2020; and
- 2) Renewed Longshi Investment Tenancy Agreements between Longshi Investment as landlord and the Group as tenant to lease two office premises for a term of three years commencing from 1 August 2020 to 31 July 2023.

Reference is made to the announcement of the Company dated 27 June 2018 regarding the 2018 Tenancy Agreement. Since the 2018 Tenancy Agreement has expired on 31 July 2020, on 4 August 2020, Hilong Pipeline as landlord, entered into the Renewed Shine New Material Tenancy Agreement with Hilong Shine New Material as tenant in relation to the leasing of a factory premises for use as a manufacturing plant for a term commencing from 1 August 2020 to 31 December 2020.

The major terms of each of the Renewed Longshi Investment Tenancy Agreements, the Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement are set out below.

RENEWAL OF 2017 TENANCY AGREEMENTS

Principal terms of Renewed Beijing Huashi Tenancy Agreement

| | |
|---------------------------|---|
| Date: | 4 August 2020 |
| Term: | 1 August 2020 to 31 December 2020 |
| Landlord: | Beijing Huashi Investment |
| Tenant: | Hilong Oil Service |
| Premises: | Office premises located at Room 501, Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, the PRC |
| Leased Area: | 276.74 square meters |
| Monthly Rental: | The monthly rent for the aforesaid premises is RMB93,434.34 excluding management fees and utility fees. Accordingly, the maximum rent to be paid by Hilong Oil Service under the Tenancy Agreement is RMB467,171.7 |
| Rental Deposit: | RMB186,868.68 |
| Payment of Rental: | The aggregate amounts of rental for 5 months together with the rental deposits are payable by the Group on the date of the Renewed Beijing Huashi Tenancy Agreement |
| Usage: | Office |
| Renewal of Lease: | Upon the expiration of the term of the Renewed Beijing Huashi Tenancy Agreement, the parties may enter into renewal agreement subject to negotiations of the parties upon Hilong Energy Oil Service's request to renew the Renewed Beijing Huashi Tenancy Agreement |

Accounting Treatment with respect to the Renewed Beijing Huashi Tenancy Agreement

Upon the implementation of HKFRS 16 "Lease" effective from 1 January 2019, 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 Renewed Beijing Huashi Tenancy Agreement is no more than 12 months, the Group may elect not to recognize assets and liabilities for the leases contemplated under the Renewed Beijing Huashi Tenancy Agreement in its consolidated statement of financial position according to HKFRS

16. Accordingly, the rental payable by the Group pursuant to the Renewed Beijing Huashi 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 a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Principal terms of the Renewed Longshi Investment Tenancy Agreements

| | | |
|-------------------------|---|---|
| Date: | 4 August 2020 | |
| Term: | 1 August 2020 to 31 July 2023 | |
| | Renewed Longshi Investment Tenancy Agreement 1 | Renewed Longshi Investment Tenancy Agreement 2 |
| Lessor: | Longshi Investment | Longshi Investment |
| Lessee: | Hilong Group of Companies | Hilong Petroleum Offshore Engineering |
| Leased premises: | 6/F, Building 1, Lane 288 of Shenchang Road, Minhang District, Shanghai, PRC | 5/F, Building 1, Lane 288 of Shenchang Road, Minhang District, Shanghai, PRC |
| Leased area: | 122 square meters | 1,649.74 square meters |
| Monthly rental: | RMB18,554 per month excluding management fees and utility fee for the period from 1 August 2020 to July 31, 2021; | RMB250,897.96 per month excluding management fees and utility fee for the period from 1 August 2020 to July 31, 2021; |
| | RMB20,410 per month excluding management fees and utility fee for the period from 1 August 2021 to July 31, 2022; | RMB275,987.75 per month excluding management fees and utility fee for the period from 1 August 2021 to July 31, 2022; |
| | RMB20,410 per month excluding management fees and utility fee for the period from 1 August 2022 to July 31, 2023; | RMB275,987.75 per month excluding management fees and utility fee for the period from 1 August 2022 to July 31, 2023; |
| Rental deposits: | RMB37,108 | RMB501,795.92 |
| Usage: | Office | Office |

Payment of Rental: Annual rental is payable by the Group in every six months period. The Group is required to pay the first six months of rental together with the rental deposits within 3 days from the date of the agreement. Thereafter, the Group is required to make rental payment every six months.

Renewal of lease: Subject to compliance with the applicable laws and rules and negotiation of the parties, the Group has the option to renew the Renewed Longshi Investment Tenancy Agreements by giving 60 days' prior written notice to Longshi Investment before the expiration of the respective Renewed Longshi Investment Tenancy Agreements. A new tenancy agreement or a renewal agreement may be entered into by the parties.

Accounting Treatment with respect to Renewed Longshi Investment Tenancy Agreements

The leases contemplated under the Renewed Longshi Investment Tenancy Agreements will be recognised as right-of-use assets by the Company pursuant to HKFRS 16. Based on a preliminary assessment by the management of the Company pursuant to HKFRS 16, which has not been reviewed or audited by the auditors of the Company, the value of the right-of-use assets (unaudited) for the office premises to be leased by the Group under the Renewed Longshi Investment Tenancy Agreements would be approximately RMB10,346,995.26. Such acquisition of right-of-use assets will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

Basis of Consideration of the Monthly Rental under Renewed Beijing Huashi Tenancy Agreement and Renewed Longshi Investment Tenancy Agreements

In arriving at the monthly rental under the Renewed Beijing Huashi Tenancy Agreement and Renewed Longshi Investment Tenancy Agreements, the Directors have considered (i) the historical rental amounts payable by the Group under the 2017 Tenancy Agreements for the three years ended 31 July 2020; (ii) the prevailing market rents with respect to the leased premises under the Renewed Beijing Huashi Tenancy Agreement and Renewed Longshi Investment Tenancy Agreements (which is obtainable as public information and after consulting the advice of several reputable local real estate agents for benchmarks of assessment of the monthly rental for the year ending 31 December 2020 and three years ending 31 July 2023 (as the case may be)); (iii) rental levels of similar properties in the vicinity of the leased premises (taking into account factors such as leased areas and floor levels); (iv) the conditions of the leased premises; (v) the location of the leased premises; and (vi) the availability of properties with similar sizes and in similar locations.

RENEWAL OF 2018 TENANCY AGREEMENT

Principal terms of Renewed Shine New Material Tenancy Agreement

| | |
|---------------------------|---|
| Date: | 4 August 2020 |
| Term: | 1 August 2020 to 31 December 2020 |
| Landlord: | Hilong Pipeline |
| Tenant: | Hilong Shine New Material |
| Premises: | Factory premises located at No. 1825, Luodong Road, Baoshan District, Shanghai, the PRC |
| Leased Area: | 18,342.26 square meters |
| Monthly Rental: | The monthly rent for the aforesaid premises is RMB282,103.11 excluding management fees and utility fees. Accordingly, the maximum rent to be received by Hilong Pipeline under the Tenancy Agreement is RMB1,410,515.55 |
| Payment of rental: | The payment of the first month of rental will be payable by the tenants within 15 days from the date of the Renewed Shine New Material Tenancy Agreement. The rental payment for the remaining four months of 2020 shall be made 15 days before the expiration of the term of the lease |
| Usage: | Manufacturing plant |
| 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 Renewed Shine New Material Tenancy Agreement by giving 60 days' prior written notice to Hilong Pipeline before the expiration of the Renewed Shine New Material Tenancy Agreement. New tenancy agreements or renewal agreements may be entered into by the parties |

Basis of Consideration of the Monthly Rental under Renewed Shine New Material Tenancy Agreement

The monthly rental of the Renewed Shine New Material Tenancy Agreement was determined on arm's length basis and on normal commercial terms taking into account: (i) the prevailing market rents with respect to the factory premises to be leased (which is obtainable as public information and after consulting the advices of several reputable local real estate agents); (ii) the conditions of the factory premises to be leased; (iii) the location of the factory premises to be leased; (iv) rental levels of similar properties in the vicinity of the premises to be leased (taking into account factors such as leased areas and the age of the building); and (v) the availability of properties with similar sizes and in similar locations.

HISTORICAL TRANSACTION AMOUNTS AND REVISED ANNUAL CAP

The historical figures relating to the 2017 Tenancy Agreements and 2018 Tenancy Agreement are as follows:

| | For the year ended 31 December 2017 (RMB) | For the year ended 31 December 2018 (RMB) | For the year ended 31 December 2019 (RMB) | For the seven months ended 31 July 2020 (RMB) |
|---|--|--|--|--|
| Aggregate amount of historical rental paid by the Group under the 2017 Tenancy Agreements | 1,748,423.00 | 3,417,571.60 | 3,733,916.12 | 196,000.00 |
| Aggregate amount of historical rental received by the Group under the 2018 Tenancy Agreement | — | — | 2,583,938.06 | — |

None of the aforesaid transaction amounts have exceeded their applicable annual caps.

Due to the entering into of the Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement, the original annual cap for the rental payable by the Group under the Existing Tenancy Agreements for the year ending 31 December 2020 would not be sufficient and need to be revised.

Based on the terms of the Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement, the Company estimated that the Revised Annual Cap for the year ending 31 December 2020 are as follows:

| | Original annual cap for the Exiting Tenancy Agreements (RMB) | Proposed annual cap for Renewed Beijing Huashi Tenancy Agreement (RMB) | Proposed annual cap for Renewed Shine New Material Tenancy Agreement (RMB) | Revised Annual Cap (RMB) |
|---|---|---|---|---|
| For the year ending 31 December 2020 | 13,949,160.96 | 467,171.7 | 1,410,515.55 | 15,826,848.21 |

In arriving at the Revised Annual Cap, which is the aggregate amount of the rental paid and payable and rental to be received by the Group (without netting) under the Existing Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement for the year ending 31 December 2020, the Directors have taken into account the aggregate estimated amounts payable or to be received by the Group under the Existing Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement for the remaining 5 months of 2020. The Directors are of the view that the Revised Annual Cap is in line with the estimated development of the business of the Group, and is determined based on the principles of fairness and reasonableness.

REASONS FOR AND BENEFITS IN RELATION TO THE TRANSACTIONS

The Group has been leasing premises from Beijing Huashi Investment and Longshi Investment for use as offices, and has practical needs to continue the leasing of such office premises. The lease of the office premises under the 2017 Tenancy Agreements has expired on 31 July 2020. The Company believes that it is time and cost efficient for the Group to continue to lease premises under the Renewed Beijing Huashi Tenancy Agreement and Renewed Longshi Investment 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 lease of the manufacturing plant under the 2018 Tenancy Agreement has expired on 31 July 2020. 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 Pipeline under the Tenancy Agreement also provides a steady source of revenue to the Group.

The terms of each of the Renewed Longshi Investment Tenancy Agreements, the Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement were negotiated by the parties on arm's length basis, taking into account prevailing market rentals, 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. Based on the above reasons, the Directors (including the independent non-executive Directors) are of the view that the terms of the connected transactions contemplated under each of the Renewed Longshi Investment Tenancy Agreements, the continuing connected transactions under the Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement and the Revised Annual Cap are fair and reasonable, on normal commercial terms and in the ordinary and usual course business of the Group, and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The counterparties under the Renewed Beijing Huashi Tenancy Agreement, Renewed Longshi Investment Tenancy Agreements and Renewed Shine New Material Tenancy Agreement are all companies of which a majority of interests is controlled by Mr. ZHANG Jun, the controlling shareholder and a director of the Company. Therefore the said counterparties are associates of Mr. ZHANG Jun and thus the connected persons of the Company under Chapter 14A of the Listing Rules.

Given that the Existing Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement are (i) entered into by the Group and counterparties who are associates of Mr. ZHANG Jun and (ii) continuing connected transactions entered into within a 12-month period, the transactions contemplated under the Existing Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement would have to be aggregated for the purpose of considering the Company's compliance obligations pursuant to Rule 14A.81 of the Listing Rules. Accordingly, the original annual cap for the year ending 31 December 2020 for the continuing connected transactions under the Existing Tenancy Agreements would not be sufficient and need to be revised.

The leases contemplated under the Renewed Longshi Investment Tenancy Agreements constitute one-off connected transactions and the transactions contemplated under the Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratio(s) as defined under Rule 14.07 of the Listing Rules in respect of the value of the right-of-use assets (unaudited) of the leased premises under the Renewed Longshi Investment Tenancy Agreements and the Revised Annual Cap for the Existing Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement exceed(s) 0.1% but all of them are less than 5%, the connected transactions contemplated under the Renewed Longshi Investment Tenancy Agreements, the continuing connected transactions contemplated under the Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement and the Revised Annual Cap are therefore subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. ZHANG Jun, who has a material interest in the Renewed Longshi Investment Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement, and Ms. ZHANG Shuman, who is an associate of Mr. ZHANG Jun for the purpose of Chapter 14A of the Listing Rules, abstained from voting on the board resolutions approving the Renewed Longshi Investment Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement and the transactions contemplated thereunder and the Revised Annual Cap.

GENERAL INFORMATION

The Group

The Company is an investment holding company. The principal business activities of the Group are manufacturing of drill pipes and other oilfield equipment, production of line pipe and OCTG coating materials and provision of drilling and offshore engineering services.

Hilong Group of Companies

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

Hilong Oil Service

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

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 a wholly-owned subsidiary of the Company incorporated in the PRC and is principally engaged in anti-corrosion coating, processing, inspection, maintenance and technical service for petroleum transmission pipelines.

Beijing Huashi Investment

Beijing Huashi Investment is held as to 98.0% interest by Huashi Hilong, which in turn is held as to 95.65% interest by Mr. ZHANG Jun and 4.35% interest by Ms. ZHANG Jingying, the mother of Mr. ZHANG Jun. Meanwhile, Mr. ZHANG Jun and Ms. ZHANG Jingying also each directly holds 1.0% of the interest in Beijing Huashi Investment. Therefore, Beijing Huashi Investment is an associate of Mr. ZHANG Jun and thus a connected person of the Company under Chapter 14A of the Listing Rules. Beijing Huashi Investment is principally engaged in investment management and sales of chemical industry products.

Longshi Investment

Longshi Investment is held as to 50.0% interest by Beijing Huashi Investment and 50.0% by Shanghai Sunac Real Estate Group Co., Ltd. (上海融創房地產開發集團有限公司), an independent third party of the Group. Therefore, Longshi Investment is an associate of Mr. ZHANG Jun and thus a connected person of the Company under Chapter 14A of the Listing Rules. It is principally engaged in investment management, business advisory, property management and sales of daily articles.

Hilong Shine New Material

Hilong Shine New Material is a wholly-owned subsidiary of Beijing Huashi Investment and therefore an associate of Mr. ZHANG Jun. It is principally engaged in the manufacture and sales of heavy-duty coating materials.

To the best of the directors' knowledge, information and belief having made all reasonable enquiry, save for Shanghai Sunac Real Estate Group Co., Ltd. as disclosed above, the counterparties and the ultimate beneficial owner of the counterparties to each of the Renewed Beijing Huashi Tenancy Agreement, Renewed Longshi Investment Tenancy Agreements and Renewed Shine New Material Tenancy Agreement are connected persons of the Company.

DEFINITIONS

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

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|-----------------------------|---|
| “2017 Tenancy Agreements” | the five tenancy agreements dated 1 August 2017 for a term of three years commencing from 1 January 2020 to 31 December 2020 as disclosed in the announcement of the Company dated 1 August 2017 |
| “2018 Tenancy Agreement” | the tenancy agreement dated 27 June 2018 entered into between Hilong Shine New Material as tenant and Hilong Group of Companies as landlord for a term of 25 months commencing from 30 June 2018 to 31 July 2020 in respect of the leasing of the factory premises located at No. 1825, Luodong Road, Baoshan District, Shanghai, the PRC with a total leasing area of 6,461.23 square meters |
| “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 Jun |
| “Board” | the Board of Directors of the Company |

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| “Company” | Hilong Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “connected person” | has the meaning ascribed to it in the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it in the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Existing Tenancy Agreements” | the three tenancy agreements dated 1 January 2020 entered into between Hilong Oil Service as tenant and Beijing Huashi Investment as landlord for a term of three years commencing from 1 January 2020 to 31 December 2020 in respect of the leasing of the office premises located at (i) 20/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, the PRC with a total leasing area of 1,850.32 square meters; (ii) Room 502, 5/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, the PRC, with a total leasing area of 476.99 square meters; and (iii) Room 503-1, 5/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, the PRC with a total leasing area of 126.12 square meters respectively, as disclosed in the announcement of the Company dated 1 January 2020 |
| “Group” | the Company and its subsidiaries |
| “Hilong Group of Companies” | Hilong Group of Companies Ltd. (海隆石油工業集團有限公司), an indirect wholly-owned subsidiary of the Company and is principally engaged in the distribution of oil and gas equipment |
| “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.(海隆管道工程技術有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC and is principally engaged in anti-corrosion coating, processing, inspection, maintenance and technical service for petroleum transmission pipelines |

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| “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 wholly-owned subsidiary of Huashi Hailong, which is an associate of Mr. ZHANG Jun, and is principally engaged in the manufacture and sales of heavy-duty coating materials |
| “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 |
| “Huashi Hailong” | 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 Jun, a controlling shareholder and director of the Company |
| “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 Jun and is principally engaged in investment management, business advisory, property management and sales of daily articles |
| “PRC” | the People’s Republic of China |
| “Renewed Beijing Huashi Tenancy Agreement” | the tenancy agreement dated 4 August 2020 entered into between Hilong Oil Service as tenant and Beijing Huashi Investment as landlord for a term commencing from 1 August 2020 to 31 December 2020 in respect of the leasing of the office premises located at Room 501, Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, the PRC with a total leasing area of 276.74 square meters |
| “Renewed Longshi Investment Tenancy Agreement No. 1” | the tenancy agreement dated 4 August 2020 entered into between Hilong Group of Companies as tenant and Longshi Investment as landlord for a term of three years commencing from 1 August 2020 to 31 July 2023 in respect of the leasing of the office premises located at 6/F, Building 1, Lane 288 of Shenchang Road, Minhang District, Shanghai, PRC, with a total leasing area of 122 square meters |

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| “Renewed Longshi Investment Tenancy Agreement No. 2” | the tenancy agreement dated 4 August 2020 entered into between Hilong Petroleum Offshore Engineering as tenant and Longshi Investment as landlord for a term of three years commencing from 1 August 2020 to 31 July 2023 in respect of the leasing of the office premises located at 5/F, Building 1, Lane 288 of Shenchang Road, Minhang District, Shanghai, PRC, with a total leasing area of 1,649.74 square meters |
| “Renewed Longshi Investment Tenancy Agreements” | Renewed Longshi Investment Tenancy Agreement 1 and Renewed Longshi Investment Tenancy Agreement 2 |
| “Renewed Shine New Material Tenancy Agreement” | the tenancy agreement dated 4 August 2020 entered into between Hilong Shine New Material as tenant and Hilong Pipeline as landlord for a term commencing from 1 August 2020 to 31 December 2020 in respect of the leasing of the factory premises located at No. 1825, Luodong Road, Baoshan District, Shanghai, the PRC with a total leasing area of 18,342.2 square meters |
| “Revised Annual Cap” | The aggregate amount of the annual cap for the year ending 31 December 2020 for the transactions contemplated under the Existing Tenancy Agreements, Renewed Beijing Huashi Tenancy Agreement and Renewed Shine New Material Tenancy Agreement |
| “RMB” | renminbi, the lawful currency of the People’s Republic of China |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | percent. |

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

Hong Kong, 4 August 2020

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