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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 70% EQUITY INTEREST IN A SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that on June 18, 2021, the Seller, the Purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Seller has agreed to dispose of, and the Purchaser has agreed to acquire, the Sale Interests for a total consideration of RMB103,480,000.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial information of the Target Company will no longer be consolidated into the Group's consolidated financial statements.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposal is greater than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder or any of their respective associates has a material interest in the Disposal. As such, no Shareholders would be required to abstain from voting in favor of the resolution approving the Disposal.

As of the date of this announcement, Hilong Group Limited, a controlling shareholder of the Company, owns 885,081,000 Shares which represent approximately 52.17% of the issued share capital of the Company. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained written approval from Hilong Group Limited for the Disposal and accordingly, no extraordinary general meeting will be convened and held by the Company to approve the Disposal.

A circular containing, among other things, (1) details of the Equity Transfer Agreement; (2) financial information of the Group; and (3) other information required under the Listing Rules is expected to be dispatched to the Shareholders within 15 business days following the publication of this announcement (i.e., July 9, 2021).

Completion is conditional upon the satisfaction of the conditions set out in the section headed “Conditions Precedent” in this announcement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on June 18, 2021, the Seller, the Purchaser and the Target Company entered into the Equity Transfer Agreement, the principal terms of which are summarized as follows:

Date: June 18, 2021 (after trading hours)

Parties: (1) the Seller; (2) the Purchaser; and (3) the Target Company.

To the best knowledge, information and belief of the Directors after making reasonable inquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Subject Matter:

Subject to the terms and conditions of the Equity Transfer Agreement, the Seller has agreed to dispose of, and the Purchaser has agreed to acquire, the Sale Interests.

As of the date of this announcement, the Target Company is principally engaged in the manufacturing and distribution of oil and gas equipment, and its primary asset is a land under development with a total site area of approximately 80,525 square meters.

Consideration:

The total Consideration is RMB103,480,000, which shall be paid by the Purchaser to the Seller by wire transfer in the following manner:

- (1) the sum of RMB10,000,000 which has been paid by the Purchase to the Seller pursuant to the terms of the Equity Transfer Framework Agreement on the date of the Equity Transfer Framework Agreement (“**Deposit**”) shall be applied as partial payment of the Consideration upon execution of the Equity Transfer Agreement;

- (2) the Purchaser shall pay RMB25,000,000 to the Seller's designated bank account within three Business Days after the execution of the Equity Transfer Agreement; and
- (3) the Purchaser shall pay RMB68,480,000 to the Seller's designated bank account within three Business Days after the relevant business registrations have been completed with respect to the Disposal.

The Consideration was arrived at after arm's length negotiations between the Seller and Purchaser on normal commercial terms with reference to, among other things: (i) the net assets value of the Target Company as of December 31, 2020; (ii) the historical financial performance of the Target Company; (iii) the business prospects of the Target Company; and (iv) the benefits of the Disposal as set out in "Reasons for and Benefits of the Disposal" below. The Consideration is subject to the Purchaser's adjustment if the Target Company incurs additional liability from the date of the Equity Transfer Agreement to the completion of relevant business registrations.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion under the Equity Transfer Agreement is subject to, among others, (1) the completion of relevant business registrations regarding the equity transfer of the Target Company; (2) the Seller releasing all financial books and records, assets ownership certification documents, contracts and other management documents, and ownership of assets and licenses to the Purchaser after all Consideration have been paid by the Purchaser and (3) the Purchaser and Seller issuing a written confirmation confirming all the conditions precedent set out in the Equity Transfer Agreement are satisfied.

Completion

Completion shall take place on the Completion Date, which is the day when all of the conditions precedent mentioned in the Equity Transfer Agreement are satisfied. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Group's consolidated financial statements.

INFORMATION OF THE TARGET COMPANY

The Target Company was established in the PRC and is principally engaged in the manufacture and distribution of oil and gas equipment.

Set out below is the unaudited consolidated financial information of the Target Company (prepared in accordance with PRC accounting standards) for the financial years ended December 31, 2019 and 2020, respectively.

	For the financial year ended	
	December 31,	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	57,262.6	71,675.2
Net profit before taxation	4,596.8	4,648.8
Net profit after taxation	4,213.0	3,486.6

Based on the unaudited consolidated financial information of the Target Company, the total assets value and net assets value of the Target Company were approximately RMB129,251,542 and RMB124,620,544 respectively as of December 31, 2020.

INFORMATION OF 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 four segments, namely (1) oilfield equipment manufacturing and services, which is the production of oilfield equipment and oil country tubular goods coating (“OCTG”) services; (2) line pipe technology and services, which is the provision of services related to oil and gas pipe line and production of coating materials; (3) oilfield services, which is the provision of well drilling services, OCTG trading and related services to oil and gas producers; and (4) offshore engineering services, which is the provision of offshore engineering services and offshore design services.

The Seller

The Seller a wholly owned subsidiary of the Company established in the PRC. It is principally engaged in the provision of coating service.

The Purchaser

The Purchaser was established in the PRC as a limited liability company. As an industrial service platform, the Purchaser mainly invests in the operation of industrial parks and introduces new manufacturing enterprises and technology-based enterprises.

To the best knowledge, information and belief of the Directors after making reasonable inquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors consider that the Disposal is one of the Group's restructuring strategies. The Disposal will enable the Group to quickly generate funds while establishing a collaboration relationship with the Purchaser. Through the Disposal, the Group will be able to reallocate more financial resources to its core business and for future development. The Directors believe that the Disposal represents a good opportunity for the Company to realise the value of the assets of the Target Company at a reasonable price and the proceeds from the Disposal will improve the financial position and increase the general working capital of the Group.

The terms of the Equity Transfer Agreement were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPLICATIONS AND USE OF PROCEEDS

Upon Completion, the Company expects that the Group will realize an estimated disposal gain of approximately RMB54,080,000, which is calculated with reference to the Consideration and the estimated net assets value of the Target Company of approximately RMB70,580,000 as of the date of Completion.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to, among other things, the net asset value of the Target Company on the day of Completion and the review by the auditors of the Company upon finalization of the consolidated financial statements of the Group. The Group intends to use such net proceeds to strengthen the general working capital of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposal is greater than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have a material interest in the Disposal, thus no Shareholders are required to abstain from voting for the resolution if the Company were to convene an extraordinary general meeting to approve the Disposal.

As of the date of this announcement, Hilong Group Limited, a controlling shareholder of the Company, owns 885,081,000 Shares which represent approximately 52.17% of the issued share capital of the Company. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained written approval from Hilong Group Limited for the Disposal and accordingly, no extraordinary general meeting will be convened and held by the Company to approve the Disposal.

A circular containing, among other things, (1) details of the Equity Transfer Agreement; (2) financial information of the Group; and (3) other information required under the Listing Rules is expected to be dispatched to the Shareholders within 15 business days following the publication of this announcement (i.e., July 9, 2021).

Completion is conditional upon the satisfaction of the conditions set out in the section headed “Conditions Precedent” in this announcement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

“associate(s)”	has the meaning as ascribe thereto under the Listing Rules
“Board”	the board of Directors
“Business Days”	any day that is not a Saturday, Sunday or public holiday in the PRC
“Company”	Hilong Holding Limited (stock code: 1623), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the Completion of the Disposal in accordance with the Equity Transfer Agreement
“Completion Date”	the date on which Completion is to take place
“Consideration”	the consideration of RMB103,480,000 payable by the Purchaser to the Seller for the transfer of the Sale Interests
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Interests by the Seller pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated June 18, 2021 entered into between the Seller, Purchaser and the Target Company
“Equity Transfer Framework Agreement”	the equity transfer framework agreement dated February 1, 2021 entered into between the Purchaser and Seller with respect to the Disposal
“Group”	the Company and its subsidiaries
“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
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“Purchaser”	Shanghai Jintang Industry Co., Ltd.* (上海金鎧實業有限公司), a limited liability company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	the 70% equity interest held by the Seller in the Target Company
“Seller”	Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司), a wholly owned subsidiary of the Company established in the PRC
“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

“Target Company”

Shanghai Hilong Special Steel Pipe Co., Ltd.* (上海海隆特種鋼管有限公司), an indirect wholly owned subsidiary of the Company established in the PRC

“%”

per cent

* For identification purposes only

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

Hong Kong, June 18, 2021

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