

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Hilong Holding Limited, you should at once hand this circular to the purchaser or the 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 the 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)

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

Capitalized terms on this cover page shall have the same meanings as those defined in “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 3 to 7 of this circular.

The Disposal and the Equity Transfer Agreement have been approved by way of written shareholders’ approval obtained from Hilong Group Limited in lieu of a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. This circular is being dispatched to the Shareholders for information only.

* For identification purposes only

September 29, 2021

TABLE OF CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	9
APPENDIX II – GENERAL INFORMATION	12

DEFINITIONS

In this circular, unless otherwise defined or the context requires, the following terms and expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto in 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)
“Latest Practicable Date”	September 13, 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Notes”	The USD400,735,000, 9.75% senior secured notes, which the Company issued on the Singapore Exchange Securities Trading Limited on May 20, 2021, consists of principal amounting to USD379,135,000 due 2024 and cash consideration amounting to USD21,600,000 to be paid with interest accruing at 9.75% per annum on or prior to the day that is 180 days after 18 May 2021
“PRC”	the People’s Republic of China, which for the purpose of this circular 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 US\$0.01 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

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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)

Executive Directors:

Mr. ZHANG Jun

Mr. WANG Tao (汪濤)

Non-Executive Directors:

Ms. ZHANG Shuman

Dr. YANG Qingli

Mr. CAO Hongbo

Independent non-executive Directors:

Mr. WANG Tao (王濤)

Mr. WONG Man Chung Francis

Mr. SHI Zheyang

Registered Office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111 Cayman Islands

*Principal Place of Business
in Hong Kong:*

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

September 29, 2021

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated June 18, 2021 in relation to the Disposal.

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.

* For identification purposes only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Equity Transfer Agreement and the Disposal; (ii) financial information of the Group; and (iii) other information required under the Listing Rules.

THE DISPOSAL

The principal terms of the Equity Transfer Agreement are summarized as follows:

- Date:** June 18, 2021
- Parties:**
- (1) the Seller;
 - (2) the Purchaser; and
 - (3) the Target Company.
- 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.
- 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.

LETTER FROM THE BOARD

Basis of the Consideration:

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: (1) the net assets value of the Target Company as of December 31, 2020; (2) the historical financial performance of the Target Company; (3) the business prospects of the Target Company; and (4) the benefits of the Disposal as set out in "Reasons for and Benefits of the Disposal" in this circular. 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 Company will hold 30% equity interests in the Target Company, and 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.

As of the Latest Practicable Date, the Disposal has been completed.

LETTER FROM THE BOARD

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 as of the date of this circular.

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
	RMB'000	RMB'000
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 TO THE EQUITY TRANSFER AGREEMENT

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

LETTER FROM THE BOARD

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 owner, Mr. Liu Zhendong (who indirectly owns 87.29% equity interest in the Purchaser), 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 realize 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.

LETTER FROM THE BOARD

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 a general meeting to approve the Disposal.

As of the date of this circular, 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 general meeting will be convened and held by the Company to approve the Disposal.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement and the Disposal are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. If a general meeting were to be convened by the Company to consider and approve the Equity Transfer Agreement and the Disposal, the Board would recommend the Shareholders to vote in favor of the resolution to approve the Equity Transfer Agreement and the Disposal.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Hilong Holding Limited
ZHANG Jun
Chairman and Executive Chairman

1. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020

Details of the financial information of the Group for each of the three years ended December 31, 2018, December 31, 2019 and December 31, 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://en.hilonggroup.com/index.php>) and can be accessed at the website addresses below:

For the annual report of the Company for the year ended December 31, 2018, please see: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn201904251214.pdf> (pages 69 to 164)

For the annual report of the Company for the year ended December 31, 2019, please see: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0402/2020040201375.pdf> (pages 73 to 168)

For the annual report of the Company for the year ended December 31, 2020, please see: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0416/2021041600711.pdf> (pages 74 to 172)

2. INDEBTEDNESS STATEMENT

Debts and borrowings

As of July 31, 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had (1) bank borrowings of approximately RMB660 million, secured by certain bank deposits, trade receivables, bank acceptance bills and commercial acceptance of the Group; and/or guaranteed by Hilong Group of Companies Ltd., a subsidiary of the Company; (2) unsecured bank borrowings of approximately RMB43 million, guaranteed by certain subsidiaries in Russia of the Company; (3) unsecured and unguaranteed bank borrowings of approximately RMB13 million; (4) carrying amount of New Notes of approximately RMB2,446 million in respect of senior notes of principal amount of approximately RMB2,589 million, secured by pledges over certain assets and guaranteed by certain subsidiaries of the Group; and (5) lease liabilities of approximately RMB20 million.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and the payables arising from the normal course of business, as of July 31, 2021, the Group did not have any debt capital issued and outstanding or agreed to be issued, bank loans or overdrafts, or other similar indebtedness, liabilities under acceptances or acceptance credits, debt securities, pledges, charges, guarantees or contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful inquiry, are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Group's internal resources, available banking facilities and the estimated net proceeds from the Disposal, the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months following the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2021, supported by multiple favorable factors including the effective control of the COVID-19 pandemic in China, the implementation of vaccination in overseas countries and the change of the U.S. president, the international oil prices have stabilized and rebounded, and the global oil and gas industry is expected to gradually recover. The Company, as a domestic and international market player in multiple oil and gas-related sectors, will benefit from the market opportunities arising from the stabilization of the global oil and gas industry and a new round of oil and gas development in China.

In terms of the domestic drill pipes market, in line with the country's increasing exploration of unconventional oil and gas resources such as shale oil and gas and coalbed methane, the Company will also focus on developing and promoting such products. The Company will also adopt differentiated marketing strategies for different customers to further increase market share. In terms of the overseas market, in the Russian market, the Company's focus will be placed on following up with the core large-scale customers, increasing the efforts on promoting high-end drilling products and repairing services, developing new growth impetus and improving profitability. In the Middle Eastern market, the Company will continue to be committed to developing high-end markets, actively following up with the key customers and striving for more orders for high value added products.

For the OCTG coating business, the Company will delve deeper into the potential of the domestic market, keep improving industry penetration and market coverage, as well as explore and develop new demands, such as the application of OCTG coatings to ground gathering pipes and coalbed methane production. In overseas markets, the Company will seize market opportunities in Russia and its surrounding regions. Starting from the R&D of coating materials, the Company will opt for diversification and differentiation to meet the individual needs of customers. In addition, the Company will also actively follow up the orders of the customized pipes such as bend pipes and fittings in the Middle Eastern market and promote the related business such as hardbanding coating services.

5. EFFECTS OF THE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

As of December 31, 2020, the audited consolidated total assets of the Group amounted to approximately RMB7,370 million and the audited consolidated total liabilities of the Group amounted to approximately RMB4,252 million.

As of December 31, 2020, the unaudited total assets and total liabilities of the Target Company, as extracted from its unaudited financial statements as of December 31, 2020 amounted to approximately RMB129,251,542 and approximately RMB4,630,998, respectively. Upon Completion, the Company will hold 30% equity interests in the Target Company, and 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.

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.

6. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there are no material adverse changes in the financial or trading position of the Group since December 31, 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

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 Company. 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

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been 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 which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Directors' and chief executive's interests and short positions in the shares and underlying shares of the Company and associated corporations

(a) Long positions in the Shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage in the Company's issued share capital
Mr. Zhang Jun	Founder and beneficiary of Mr. Zhang's trust/Interest of controlled corporation	885,081,000 ⁽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>	
		<u>998,641,800</u>	58.867%

Name of Director	Capacity	Number of Shares held	Approximate percentage in the Company's issued share capital
Ms. Zhang Shuman	Interest of controlled corporation	24,300,000 ⁽³⁾	
	Beneficial owner	692,000	
		<u>24,992,000</u>	1.473%
Mr. Cao Hongbo	Beneficial owner	1,708,000	0.101%
Mr. Wong Man Chung Francis	Beneficial owner	1,288,000	0.076%
Mr. Wang Tao (汪濤)	Beneficial owner	1,200,000	0.071%
Dr. Yang Qingli	Interest of spouse	77,000 ⁽⁴⁾	0.005%

Notes:

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

(b) Long positions in the shares of the Company's associated corporations

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

As of the Latest Practicable Date, save as disclosed herein, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations.

Save as disclosed herein, as of the Latest Practicable Date, to the knowledge of the Company:

- (1) none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations 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 the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered in the register kept by the Company under Section 352 of the SFO; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; and
- (2) none of the Directors and chief executive of the Company nor their spouses or minor children (natural or adopted) were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations.

Save as disclosed herein, as of the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position 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.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as is known to the Directors or chief executive of the Company, as of 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 shareholder	Capacity	Number of Shares/underlying shares interested	Approximate percentage in the Company's issued share capital
Hilong Group Limited	Beneficial owner	885,081,000 ⁽¹⁾	52.17%
SCTS Capital Pte Ltd.	Nominee	1,018,758,800 ⁽¹⁾⁽²⁾	60.05%
Standard Chartered Trust (Singapore) Limited	Trustee	1,018,758,800 ⁽¹⁾⁽²⁾	60.05%
Ms. Gao Xia	Interest of spouse	998,641,800 ⁽³⁾	58.867%

Notes:

- (1) 885,081,000 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, so far as is known to the Directors or the chief executive of the Company, as of the Latest Practicable Date, 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.

4. DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company under which he agreed to act as an Executive Director for a term of three years, which may be terminated by not less than one month's notice in writing served by either the Executive Director or the Company. Each of the Non-executive Directors and the Independent Non-executive Directors has signed an appointment letter with the Company for a term of three years which may be terminated by one month's notice (in the case of the Non-executive Director) or not less than one month's notice (in the case of the Independent Non-executive Director) served by either the Non-executive Director/Independent Non-executive Director or the Company.

None of the Directors has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As of the Latest Practicable Date, none of the Directors and their respective close associates were considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP AND OTHER INTERESTS

None of the Directors was materially interested in any contract or arrangement which was entered into by any member of the Group and subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

As of the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors had any direct or indirect interest in any asset which had been, since December 31, 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and which are, or may be, material to the Group:

1. the Equity Transfer Agreement; and

2. the equity transfer agreement dated December 5, 2019, entered into between Hilong Pipeline Engineering Technology Service Co., Ltd. (海隆管道工程技術服務有限公司) and Beijing Huashi Hilong Oil Investment Co., Ltd. (北京華實海隆石油投資有限公司).

8. LITIGATION

As of the Latest Practicable Date, so far as the Directors are aware, the Group was not engaged in any material litigation or arbitration proceedings nor was any material litigation or claim pending or threatened against it.

9. 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 specialising in integrated business, corporate and investor services. The company secretary attended sufficient professional training as required under the Listing Rules for the year ended December 31, 2020 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, whose address is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturday, Sunday and public holiday excluded) at the principal place of business of the Company at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the financial years ended December 31, 2019 and 2020;
- (c) the circular of the Company dated December 6, 2019 in relation to an equity transfer agreement dated December 5, 2019 entered into by 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, and Beijing Huashi Hailong Oil Investment Co., Ltd., (北京華實海隆石油投資有限公司) which constituted a connected transaction for the Company under Chapter 14A of the Listing Rules;
- (d) the material contracts referred to in the paragraph headed "7. Material Contracts" in this appendix; and
- (e) this circular.