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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 RENEWAL OF TENANCY AGREEMENTS

References are made to the announcements of the Company dated 7 February 2023 and 27 June 2023 regarding the 2023 Renewed Beijing Huashi Tenancy Agreements, the 2023 Renewed Shine New Material Tenancy Agreement, the Pipeline Tenancy Agreements and the Pipeline Equipment Lease Agreement. Since each of the above agreements has expired on 31 December 2023, on 5 January 2024, the Group and the relevant counterparties entered into the following renewal agreements:

- 1) the 2024 Renewed Beijing Huashi Tenancy Agreements entered into between Beijing Huashi Investment (as lessor) and Hilong Oil Service (as lessee) in relation to the leases of the premises for office use for a term of six months commencing from 1 January 2024 to 30 June 2024;
- 2) the 2024 Renewed Shine New Material Tenancy Agreement entered into between Hilong Group of Companies Ltd. (as lessor) and Hilong Shine New Material (as lessee) in relation to the lease of the premises for a manufacturing plant for a term of six months commencing from 1 January 2024 to 30 June 2024;
- 3) the 2024 Pipeline Tenancy Agreements entered into between (i) Hilong Group of Companies Ltd. (as lessor) and Hilong Pipeline (as lessee); (ii) Hilong Group of Companies Ltd. (as lessor) and Shenglong Oil and Gas (as lessee); and (iii) Technomash (as lessor) and Drilling Technology (as lessee) in relation to the leases of the premises for office use and manufacturing plant for a term of six months commencing from 1 January 2024 to 30 June 2024; and
- 4) the 2024 Pipeline Equipment Lease Agreement in relation to the operating lease of the manufacturing test equipment entered into between Technomash (as lessor) and Drilling Technology (as lessee) for a term of six months commencing from 1 January 2024 to 30 June 2024.

As of the date of this announcement, the counterparties under the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Renewed Shine New Material Tenancy Agreement, the 2024 Pipeline Tenancy Agreements and the 2024 Pipeline Equipment Lease Agreement are all companies of which a majority of their interests is controlled by Mr. Zhang, a controlling shareholder and a Director. Therefore, the said counterparties are associates of Mr. Zhang and thus connected persons of the Company under Chapter 14A of the Listing Rules.

Given that the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Renewed Shine New Material Tenancy Agreement, the 2024 Pipeline Tenancy Agreements and the 2024 Pipeline Equipment Lease Agreement are entered into by the Group and the counterparties who are associates of Mr. Zhang within a 12-month period and are of similar nature, the transactions contemplated under these agreements would have to be aggregated for the purpose of considering the Company's compliance obligations pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. The aggregate annual caps for the transactions contemplated under the 2024 Tenancy CCT Agreements for the six months ended 30 June 2024 is RMB17,911,000.

As the highest applicable percentage ratio in respect of the annual caps of the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Renewed Shine New Material Tenancy Agreement, the 2024 Pipeline Tenancy Agreements and the 2024 Pipeline Equipment Lease Agreement, on an aggregate basis, exceeds 0.1% but is less than 5%, the continuing connected transactions and the aggregate annual caps contemplated thereunder will be exempted from the independent shareholders' approval requirement but are subject to the reporting, announcement and the annual review requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

References are made to the announcements of the Company dated 7 February 2023 and 27 June 2023 regarding the 2023 Renewed Beijing Huashi Tenancy Agreements, the 2023 Renewed Shine New Material Tenancy Agreement, the Pipeline Tenancy Agreements and the Pipeline Equipment Lease Agreement. Since each of the above agreements has expired on 31 December 2023, on 5 January 2024, the Group and the relevant counterparties entered into the following renewal agreements, in each case, for a term of six months commencing from 1 January 2024 to 30 June 2024.

The principal terms of each of the 2024 Tenancy CCT Agreements are set out below.

PRINCIPAL TERMS OF THE 2024 TENANCY CCT AGREEMENTS

(A) 2024 RENEWED BEIJING HUASHI TENANCY AGREEMENTS

Date:	5 January 2024			
Term:	1 January 2024 to 30 June 2024			
	2024 Renewed Beijing Huashi Tenancy Agreement No. 1	2024 Renewed Beijing Huashi Tenancy Agreement No. 2	2024 Renewed Beijing Huashi Tenancy Agreement No. 3	2024 Renewed Beijing Huashi Tenancy Agreement No. 4
Lessor:	Beijing Huashi Investment	Beijing Huashi Investment	Beijing Huashi Investment	Beijing Huashi Investment
Lessee:	Hilong Oil Service	Hilong Oil Service	Hilong Oil Service	Hilong Oil Service
Leased premises:	20/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC	Room 502, 5/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC	Room 503-1, 5/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC	Room 501, 5/F., Building 1, 13 Workers' Stadium North Road, Chaoyang District, Beijing, PRC
Leased area:	1,850.32 square meters	476.99 square meters	126.12 square meters	276.74 square meters
Monthly rental:	RMB644,412.49 per month excluding utility fees	RMB160,608.50 per month excluding utility fees	RMB30,650.84 per month excluding utility fees	RMB93,434.34 per month excluding utility fees
Rental deposits:	RMB1,288,824.98	RMB321,217	RMB61,301.68	RMB186,868.68
Usage:	Office	Office	Office	Office
Payment:	The total rental of RMB5,574,637.02 is payable by Hilong Oil Service in full together with the rental deposits on the date of the 2024 Renewed Beijing Huashi Tenancy Agreements.			
Renewal of leases:	Prior to the expiration of the term of the 2024 Renewed Beijing Huashi Tenancy Agreements, the parties may enter into renewal agreement(s) subject to negotiations of the parties upon Hilong Oil Service's request to renew the 2024 Renewed Beijing Huashi Tenancy Agreements and compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules).			

Basis of consideration

In arriving at the monthly rental, the Directors have considered (i) the historical rental amounts payable by Hilong Oil Service under the 2023 Renewed Beijing Huashi Tenancy Agreements for the year ended 31 December 2023; (ii) the prevailing market rents with respect to the leased premises under the 2024 Renewed Beijing Huashi Tenancy Agreements (which is obtainable as public information and after consulting the advice of several reputable local real estate agents for benchmark of assessment of the monthly rental for six months ended 30 June 2024); (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 properties; and (vi) the availability of properties with similar sizes and in similar locations.

(B) 2024 RENEWED SHINE NEW MATERIAL TENANCY AGREEMENT

Date:	5 January 2024
Term:	1 January 2024 to 30 June 2024
Lessor:	Hilong Group of Companies Ltd. ⁽¹⁾
Lessee:	Hilong Shine New Material
Premises:	Factory premises located at No. 1825, Luodong Road, Baoshan District, Shanghai, PRC
Leased Area:	23,685.46 square meters
Monthly Rental:	RMB423,599.445 per month. Accordingly, the total rental to be received by Hilong Group of Companies Ltd. under the agreement is RMB2,541,596.67.
Utility fees:	RMB145,000 per month, which consists of water and electricity fees. Accordingly, the total utility fees to be received by Hilong Group of Companies Ltd. under the agreement is RMB870,000.
Payment:	The total rental and utility fees in the amount of RMB3,411,596.67 is payable in full by Hilong Shine New Material within 15 days from the date of the 2024 Renewed Shine New Material Tenancy Agreement.
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 2024 Renewed Shine New Material Tenancy Agreement by giving 60 days' prior written notice to Hilong Group of Companies Ltd. before the expiration of the 2024 Renewed Shine New Material Tenancy Agreement. New tenancy agreements or renewal agreements may be entered into by the parties.

Note:

- (1) The ownership of the premises was transferred from Hilong Zhizao Consulting, an indirect wholly-owned subsidiary of the Company, to Hilong Group of Companies Ltd.

Basis of consideration

The terms of the 2024 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 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 premises to be leased; (iii) the location of the premises to be leased; (iv) rental levels of similar properties in the vicinity of the leased premises (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. The utility fees are determined by reference to the latest charging rates of the respective utilities as set by the government or the utilities suppliers and the estimated consumption level of Hilong Shine New Material.

(C) 2024 PIPELINE TENANCY AGREEMENTS

Date: 5 January 2024

Term: 1 January 2024 to 30 June 2024

	2024 Pipeline Tenancy Agreement No. 1	2024 Pipeline Tenancy Agreement No. 2	2024 Pipeline Tenancy Agreement No. 3
Lessor:	Hilong Group of Companies Ltd. ⁽¹⁾	Hilong Group of Companies Ltd. ⁽¹⁾	Technomash
Lessee:	Hilong Pipeline	Shenglong Oil and Gas	Drilling Technology
Leased premises:	Premises in D plant, F plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC	Premises in F plant, G plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC	Premises in 47/1, 10A, 10B and 10C, Demyan Bedny Street, Nevyansk, Sverdlovsk Region, Russian Federation
Leased area:	14,617.06 square meters	3,803.57 square meters	19,640.87 square meters
Monthly rental:	RMB241,418.24 per month	RMB50,148.66 per month	RUB8,879,666.75 per month (equivalent to approximately RMB689,951) (inclusive of water and electricity fees) ⁽²⁾

Utility fees:	RMB405,000 per month, which consists of water and electricity fees. Accordingly, the total utility fees to be received by Hilong Group of Companies Ltd. under the agreement is RMB2,430,000.	RMB45,000 per month, which consists of water and electricity fees. Accordingly, the total utility fees to be received by Hilong Group of Companies Ltd. under the agreement is RMB270,000.	
Usage:	Office use and manufacturing plant		
Payment:	The total rental and utility fees in the amount of RMB3,878,509.44 is payable in full by the lessee to the lessor within 15 days from the date of the agreement.	The total rental and utility fees in the amount of RMB570,891.96 is payable in full by the lessee to the lessor within 15 days from the date of the agreement.	The monthly rental is payable on a monthly basis by the end of the preceding month. The total rental under the agreement is RUB53,278,000.50 (equivalent to approximately RMB4,139,705).

Renewal of leases: Subject to compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules), the lessee has the option to renew the leases by giving 60 days' prior written notice to the lessor before the expiration of the lease. New tenancy agreements or renewal agreements may be entered into by the parties.

Note:

- (2) For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 to RUB12.87 has been used, where applicable, for purpose of illustration only and such conversion should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.

Basis of consideration

The terms of the 2024 Pipeline Tenancy Agreements was determined on arm's length basis and on normal commercial terms taking into account: (i) the prevailing market rents with respect to the 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 premises to be leased; (iii) the location of the premises to be leased; (iv) rental levels of similar properties in the vicinity of the leased premises (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. The utility fees are determined by reference to the latest charging rates of the respective utilities as set by the government or the utilities suppliers and the estimated consumption level of Hilong Pipeline and Shenglong Oil and Gas.

(D) 2024 PIPELINE EQUIPMENT LEASE AGREEMENT

Date:	5 January 2024
Term:	1 January 2024 to 30 June 2024
Lessor:	Technomash
Lessee:	Drilling Technology
Subject Matter:	Manufacturing test equipment for production of drill pipes
Monthly rental:	RUB714,688.03 (equivalent to approximately RMB55,531.32) ⁽²⁾
Payment:	The monthly rental is payable on a monthly basis by the end of the preceding month. The total rental under the agreement is RUB4,288,128.18 (equivalent to approximately RMB333,188).
Renewal of leases:	Subject to compliance with all the rules and requirements set out in the applicable laws and regulations (including the Listing Rules), the lessee has the option to renew the lease by giving 60 days' prior written notice to the lessor before the expiration of the lease. Renewal agreements may be entered into by the parties.

Basis of consideration

The terms of the 2024 Pipeline Equipment Lease Agreement was determined on arm's length basis and on normal commercial terms taking into account the prevailing market rates with reference to prices quoted by Independent Third Parties which provide similar equipment, the conditions of the equipment to be leased and the costs of relevant equipment.

Accounting Treatment with respect to the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Pipeline Tenancy Agreement No. 3 and the 2024 Pipeline Equipment Lease Agreement

According to applicable accounting standards, generally, the Group as the lessee shall recognize a lease as a right-of-use asset in the consolidated statement of financial position of the Group according to HKFRS 16. Since the term of each of the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Pipeline Tenancy Agreement No. 3 and the 2024 Pipeline Equipment Lease Agreement is no more than 12 months, the Group may elect not to recognize assets and liabilities for the leases contemplated under the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Pipeline Tenancy Agreement No. 3 and the 2024 Pipeline Equipment Lease Agreement in its consolidated statement of financial position according to HKFRS 16. Accordingly, the rental payable by the Group pursuant to the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Pipeline Tenancy Agreement No. 3 and the 2024 Pipeline Equipment Lease Agreement will be recognized as expenses in the Group's profit and loss accounts in the period in which they are incurred, and the payment of such rental will be regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

Historical transaction amount

The historical aggregated transaction amounts relating to the 2023 Renewed Beijing Huashi Tenancy Agreements and the 2023 Renewed Shine New Material Tenancy Agreement are as follows:

	Financial year ended 31 December 2023 (RMB)
Aggregate historical transaction amounts under the 2023 Renewed Beijing Huashi Tenancy Agreements	11,149,274
Aggregate historical transaction amounts under the 2023 Renewed Shine New Material Tenancy Agreement	<u>3,305,178</u>
Total	<u>14,454,452</u>

The aforesaid aggregate transaction amounts have not exceeded the applicable annual cap for the year ended 31 December 2023.

The historical transaction amounts relating to the Pipeline Tenancy Agreements and the Pipeline Equipment Lease Agreement are as follows:

	Financial year ended 31 December 2023 (RMB)
Aggregate historical transaction amounts under the Pipeline Tenancy Agreements⁽²⁾	6,033,171
Aggregate historical transaction amounts under the Pipeline Equipment Lease Agreement⁽²⁾	<u>3,094,006</u>
Total	<u>9,127,177</u>

Based on the terms of the 2024 Tenancy CCT Agreements, the Company estimated that the annual caps (rounded up to the nearest thousand RMB) for the six months ended 30 June 2024 are as follows:

	Six months ended 30 June 2024 (RMB'000)
Proposed aggregate annual cap for the 2024 Renewed Beijing Huashi Tenancy Agreements	5,575
Proposed annual cap for the 2024 Renewed Shine New Material Tenancy Agreement	3,412
Proposed aggregate annual cap for the 2024 Pipeline Tenancy Agreements	8,590
Proposed annual cap for the 2024 Pipeline Equipment Lease Agreement	<u>334</u>
Total	<u><u>17,911</u></u>

In arriving at the aggregate annual caps of RMB17,911,000, which comprises (i) the aggregate amount of the rental payable by the Group to Beijing Huashi Investment under the 2024 Renewed Beijing Huashi Tenancy Agreements; (ii) the amount of the rental and utility fees payable by Hilong Shine New Material to the Group under the 2024 Renewed Shine New Material Tenancy Agreement; (iii) the aggregate amount of rental and utility fees payable by Hilong Pipeline and Shenglong Oil and Gas to the Group and rental payable by the Group to Technomash under the 2024 Pipeline Tenancy Agreements; and (iv) the amount of rental payable by the Group to Technomash under the 2024 Pipeline Equipment Lease Agreement, the Directors have taken into account the historical transaction amounts and aggregate estimated amounts payable or to be received by the Group under the such agreements.

The terms of each of the 2024 Tenancy CCT Agreements were negotiated by the parties on arm's length basis, taking into account prevailing market rates but in any event at leasing terms and rental rates no less favourable than those offered to the Group by independent third parties for the same or similar types of leased premises, and with reference to the latest charging rates of the respective utilities as set by the government or the utilities suppliers. Based on the above reasons, the Directors (including the independent non-executive Directors) are of the view that the terms of the continuing connected transactions contemplated under each of 2024 Tenancy CCT Agreements and the aggregate annual caps contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

REASONS FOR AND BENEFITS IN RELATION TO THE TRANSACTIONS

The Group has been leasing premises from Beijing Huashi Investment for use as offices, and has practical needs to continue to lease such office premises. The leases of the office premises under the 2023 Renewed Beijing Huashi Tenancy Agreements have expired on 31 December 2023. The Company believes that it is time and cost efficient for the Group to continue to lease the premises under the 2024 Renewed Beijing Huashi Tenancy Agreements rather than seeking for alternative locations, which would incur unnecessary moving costs and cause potential disruption to the daily operations of the Group.

The lease of the factory premises under the 2023 Renewed Shine New Material Tenancy Agreement has expired on 31 December 2023. The Company believes that through the leasing of the factory premises to Hilong Shine New Material, the Group is able to continue to achieve use of their resources in a more efficient manner. The rental income received by Hilong Group of Companies Ltd. under the 2024 Renewed Shine New Material Tenancy Agreement also provides a steady source of revenue to the Group.

The Pipeline Tenancy Agreements have expired on 31 December 2023. Hilong Pipeline and Shenglong Oil and Gas have been long-term lessees of the Group. The Company believes that through the leasing of the premises to Hilong Pipeline and Shenglong Oil and Gas, the Group is able to continue to achieve use of their resources in a more efficient manner. The rental income received by Hilong Group of Companies Ltd. under the 2024 Pipeline Tenancy Agreements also provides a steady source of revenue to the Group. Drilling Technology has been leasing the premises from Technomash since 2020. The Company believes that it is beneficial for the Group to continue to lease the relevant premises from Technomash to maintain the stability of the Group's daily operations and avoid unnecessary moving costs or disruption to the Group's businesses.

The Pipeline Equipment Lease Agreement has expired on 31 December 2023. Drilling Technology has been leasing the manufacturing test equipment from Technomash since 2020. In order to meet its latest orders on hand for the production of drill pipes, the Company believes that it is crucial to secure stable and reliable manufacturing test equipment in the region to maintain its operational efficiency. Having considered the pricing of such equipment offered by Technomash is more favourable as compared with that of Independent Third Party vendor in the region, the delivery time and relevant costs, the Company believes it is beneficial for the Group to continue to lease such manufacturing test equipment from Technomash.

INTERNAL CONTROLS FOR THE GROUP’S CONTINUING CONNECTED TRANSACTIONS

As previously disclosed, the Company has established internal control measures to ensure that (i) the terms of the 2024 Tenancy CCT Agreements are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; (ii) the transactions are conducted in accordance with the terms of the 2024 Tenancy CCT Agreements; and (iii) do not exceed the respective annual caps. The Company has adopted and implemented a management system on connected transactions (“**Management System**”). Under the Management System, an internal control review committee (“**CCT IC Committee**”) is established and comprises the head of the financial department, the head of the marketing department and the head of the audit department. The CCT IC Committee will report to the Board for all significant matters related to the continuing connected transactions of the Group and ensure compliance with the relevant Listing Rules.

LISTING RULES IMPLICATIONS

As of the date of this announcement, the counterparties under the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Renewed Shine New Material Tenancy Agreement, the 2024 Pipeline Tenancy Agreements and the 2024 Pipeline Equipment Lease Agreement are all companies of which a majority of their interests is controlled by Mr. Zhang, a controlling shareholder and a Director. Therefore, the said counterparties are associates of Mr. Zhang and thus connected persons of the Company under Chapter 14A of the Listing Rules.

Given that the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Renewed Shine New Material Tenancy Agreement, the 2024 Pipeline Tenancy Agreements and the 2024 Pipeline Equipment Lease Agreement are entered into by the Group and counterparties who are associates of Mr. Zhang within a 12-month period and are of similar nature, the transactions contemplated under these agreements would have to be aggregated for the purpose of considering the Company’s compliance obligations pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. The aggregate annual caps for the transactions contemplated under the 2024 Tenancy CCT Agreements for the six months ended 30 June 2024 is RMB17,911,000.

As the highest applicable percentage ratio in respect of the annual caps of the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Renewed Shine New Material Tenancy Agreement, the 2024 Pipeline Tenancy Agreements and the 2024 Pipeline Equipment Lease Agreement, on an aggregate basis, exceeds 0.1% but is less than 5%, the continuing connected transactions and the aggregate annual caps contemplated thereunder will be exempted from the independent shareholders’ approval requirement but are subject to the reporting, announcement and the annual review requirements under Chapter 14A of the Listing Rules.

Mr. Zhang, who has material interests in the 2024 Tenancy CCT Agreements, and Ms. ZHANG Shuman and Mr. CAO Hongbo, both are associates of Mr. Zhang for the purpose of Chapter 14A of the Listing Rules, abstained from voting on the board resolutions approving the 2024 Tenancy CCT Agreements, the transactions contemplated thereunder and the aggregate annual caps related thereto.

GENERAL INFORMATION

The Group

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

Beijing Huashi Investment

Beijing Huashi Investment is an associate of Mr. Zhang and is principally engaged in investment management and sales of petrochemicals. Beijing Huashi Investment is held as to 98.0% by BHH Petroleum Machine Equipment, 1% by Mr. Zhang and 1% by Ms. ZHANG Jingying (“**Ms. Zhang**”), the mother of Mr. Zhang. BHH Petroleum Machine Equipment is a company incorporated in the PRC with limited liability and is held as to approximately 95.65% by Mr. Zhang and approximately 4.35% by Ms. Zhang, the mother of Mr. Zhang. BHH Petroleum Machine Equipment is an associate of Mr. Zhang and principally engaged in investment holding and management.

Drilling Technology

Drilling Technology is an indirect wholly-owned subsidiary of the Company incorporated in the Russian Federation in 2018 and is principally engaged in manufacture and distribution of oil and gas equipment.

Hilong Pipeline

Hilong Pipeline is established in the PRC in 2005 and is principally engaged in the provision of coating services. Hilong Pipeline is wholly-owned by Hilong Shine New Material. Hilong Pipeline is an associate of Mr. Zhang.

Hilong Oil Service

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

Hilong Group of Companies Ltd.

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

Hilong Shine New Material

Hilong Shine New Material is held as to approximately 89.15% by BHH Petroleum Machine Equipment and therefore is an associate of Mr. Zhang. It is principally engaged in the manufacture and sales of heavy-duty coating materials.

Shenglong Oil and Gas

Shenglong Oil and Gas is established in the PRC in 2013 and is principally engaged in research, inspection and repairment of oil and gas equipment. Shenglong Oil and Gas is a wholly-owned subsidiary of Hilong Pipeline.

Technomash

Technomash is an investment holding company and is incorporated in the Russian Federation in 2009. Technomash is a wholly-owned subsidiary of Hilong Pipeline.

DEFINITIONS

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

“2023 Renewed Beijing Huashi Tenancy Agreements”	collectively, 2023 Renewed Beijing Huashi Tenancy Agreement No. 1, 2023 Renewed Beijing Huashi Tenancy Agreement No. 2, 2023 Renewed Beijing Huashi Tenancy Agreement No. 3 and 2023 Renewed Beijing Huashi Tenancy Agreement No. 4; as disclosed in the announcement of the Company dated 7 February 2023
“2023 Renewed Shine New Material Tenancy Agreement”	2023 Renewed Shine New Material Tenancy Agreement, as disclosed in the announcement of the Company dated 7 February 2023
“2024 Pipeline Equipment Lease Agreement”	the equipment lease agreement dated 5 January 2024 entered into between Technomash (as lessor) and Drilling Technology (as lessee) in relation to the operating lease of manufacturing test equipment for a term of six months starting from 1 January 2024 to 30 June 2024
“2024 Pipeline Tenancy Agreement No. 1”	the tenancy agreement dated 5 January 2024 entered into between Hilong Group of Companies Ltd. as lessor and Hilong Pipeline as lessee in respect of the premises in D plant, F plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC for office use and manufacturing plant for a term of six months starting from 1 January 2024 to 30 June 2024

“2024 Pipeline Tenancy Agreement No. 2”	the tenancy agreement dated 5 January 2024 entered into between Hilong Group of Companies Ltd. as lessor and Shenglong Oil and Gas as lessee in respect of the premises in F plant, G plant and 4th floor of main building, No. 1825 Luodong Road, Baoshan Industrial Zone, Shanghai, PRC for office use and manufacturing plant for a term of six months starting from 1 January 2024 to 30 June 2024
“2024 Pipeline Tenancy Agreement No. 3”	the tenancy agreement dated 5 January 2024 entered into between Hilong Group of Companies Ltd. as lessor and Shenglong Oil and Gas as lessee in respect of the premises in 47/1, 10A, 10B and 10C, Demyan Bedny Street, Nevyansk, Sverdlovsk Region, Russian Federation for office use and manufacturing plant for a term of six months starting from 1 January 2024 to 30 June 2024
“2024 Pipeline Tenancy Agreements”	collectively, 2024 Pipeline Tenancy Agreement No. 1, 2024 Pipeline Tenancy Agreement No. 2 and 2024 Pipeline Tenancy Agreement No. 3
“2024 Renewed Beijing Huashi Tenancy Agreement No. 1”	the tenancy agreement dated 5 January 2024 entered into between Hilong Oil Service as lessee and Beijing Huashi Investment as lessor in respect of the leasing of office premises located at 20/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, PRC for a term of six months starting from 1 January 2024 to 30 June 2024
“2024 Renewed Beijing Huashi Tenancy Agreement No. 2”	the tenancy agreement dated 5 January 2024 entered into between Hilong Oil Service as lessee and Beijing Huashi Investment as lessor in respect of the leasing of office premises located at Room 502, 5/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, PRC for a term of six months starting from 1 January 2024 to 30 June 2024
“2024 Renewed Beijing Huashi Tenancy Agreement No. 3”	the tenancy agreement dated 5 January 2024 entered into between Hilong Oil Service as lessee and Beijing Huashi Investment as lessor in respect of the leasing of office premises located at Room 503-1, 5/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, PRC for a term of six months starting from 1 January 2024 to 30 June 2024

“2024 Renewed Beijing Huashi Tenancy Agreement No. 4”	the tenancy agreement dated 5 January 2024 entered into between Hilong Oil Service as lessee and Beijing Huashi Investment as lessor in respect of the leasing of office premises located at Room 501, 5/F., Building 1, 13 Workers’ Stadium North Road, Chaoyang District, Beijing, PRC for a term of six months starting from 1 January 2024 to 30 June 2024
“2024 Renewed Beijing Huashi Tenancy Agreements”	collectively, 2024 Renewed Beijing Huashi Tenancy Agreement No. 1, 2024 Renewed Beijing Huashi Tenancy Agreement No. 2, 2024 Renewed Beijing Huashi Tenancy Agreement No. 3 and 2024 Renewed Beijing Huashi Tenancy Agreement No. 4
“2024 Renewed Shine New Material Tenancy Agreement”	the tenancy agreement dated 5 January 2024 entered into between Hilong Group of Companies Ltd. as lessor and Hilong Shine New Material as lessee in respect of the factory premises located at No. 1825, Luodong Road, Baoshan District, Shanghai, the PRC for use as a manufacturing plant for a term of six months starting from 1 January 2024 to 30 June 2024
“2024 Tenancy CCT Agreements”	collectively, the 2024 Renewed Beijing Huashi Tenancy Agreements, the 2024 Renewed Shine New Material Tenancy Agreement, the 2024 Pipeline Tenancy Agreements and the 2024 Pipeline Equipment Lease Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Huashi Investment”	Beijing Huashi Hailong Oil Investment Co., Ltd.* (北京華實海隆石油投資有限公司), a company established in the PRC, and an associate of Mr. Zhang
“BHH Petroleum Machine Equipment”	Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd.* (北京華實海隆石油機械設備有限公司), an entity controlled by Mr. Zhang, a controlling shareholder and director of the Company
“Company”	Hilong Holding Limited (海隆控股有限公司*) (stock code: 1623), a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“connected person”	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
“Drilling Technology”	Drilling Technology Limited liability Company
“Group”	the Company and its subsidiaries
“Hilong Group of Companies Ltd.”	Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Hilong Oil Service”	Hilong Oil Service and Engineering Co., Ltd.* (海隆石油技術服務有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Hilong Pipeline”	Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司)
“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
“Hilong Zhizao Consulting”	Hilong Zhizao (Shanghai) Consulting Management Co., Ltd.* (海隆智造(上海)諮詢管理有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent 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

“Pipeline Equipment Lease Agreement”	the equipment lease agreement entered into between Technomash (as lessor) and Drilling Technology (as lessee) in relation to the operating lease of manufacturing test equipment, as disclosed in the announcement of the Company dated 27 June 2023
“Pipeline Tenancy Agreements”	certain tenancy agreements entered into between (i) Hilong Zhizao Consulting (as lessor) and Hilong Pipeline (as lessee); (ii) Hilong Zhizao Consulting (as lessor) and Shenglong Oil and Gas (as lessee); and (iii) Technomash (as lessor) and Drilling Technology (as lessee) in relation to the leases of the premises for office use and manufacturing plant, as disclosed in the announcement of the Company dated 27 June 2023
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“RUB”	Russian Ruble, the lawful currency of the Russian Federation
“Shenglong Oil and Gas”	Shenglong Oil and Gas Pipeline Inspection Technology Co., Ltd. (盛隆石油管檢測技術有限公司)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 5 January 2024

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, Dr. YANG Qingli, Mr. CAO Hongbo and Dr. Fan Ren Da Anthony; and the independent non-executive directors are Mr. WANG Tao (王濤), Mr. WONG Man Chung Francis and Mr. SHI Zheyuan.

* *For identification purpose only*