

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 a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

CONTINUING CONNECTED TRANSACTIONS

- (1) SUPPLEMENTAL AGREEMENT TO THE COATING SERVICES AND
HARDBANDING SERVICES AGREEMENT;
(2) RENEWAL OF THE WELDING WIRE SUPPLY AGREEMENT;
AND
(3) NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
溢博資本有限公司

A letter from the Board is set out on pages 5 to 21 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 22 of this circular. A letter from Rainbow Capital (HK) Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 41 of this circular.

A notice convening the 2024 first extraordinary general meeting ("EGM") of Hilong Holding Limited (the "Company") to be held at Conference Room, 6th Floor, Hilong Group of Companies Ltd., No.1825 Luodong Road, Baoshan Industrial Zone, Shanghai, China on Thursday, 21 March 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange at (www.hkexnews.hk) and the Company (www.hilonggroup.com). Whether or not you are able to attend the EGM, you are requested to read the notice of the EGM and to complete and sign the form of proxy enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish. In such event, the form of proxy shall be deemed to be revoked.

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DEFINITIONS

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

“2024 Hilong Energy CCT Agreements”	the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement
“2024 Supplemental Coating Services and Hardbanding Services Agreement”	the supplemental agreement to the Coating Services and Hardbanding Services Agreement dated 27 February 2024 entered into between Hilong Pipeline and Hilong Energy to extend the term of the Coating Services and Hardbanding Services Agreement until 31 December 2024
“2024 Welding Wire Supply Agreement”	the renewed agreement dated 27 February 2024 entered into between Hilong Energy and Hilong Pipeline in relation to the provision of welding wires by Hilong Energy Group to Hilong Pipeline Group
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“BHH Petroleum Machine Equipment”	Beijing Huashi Hailong Petroleum Machine Equipment Co., Ltd.* (北京華實海隆石油機械設備有限公司), a company incorporated in the PRC with limited liability
“Board”	the board of Directors
“Coating Services and Hardbanding Services Agreement”	the agreement dated 22 December 2023 entered into between Hilong Pipeline and Hilong Energy in relation to the provision of coating services and hardbanding services by Hilong Pipeline Group to Hilong Energy Group

DEFINITIONS

“Company”	Hilong Holding Limited (海隆控股有限公司*) (stock code: 1623), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the effective date of the 2024 Hilong Energy CCT Agreements, being the date of approval by the Independent Shareholders at the EGM in relation to the 2024 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the 2024 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Group”	the Company and its subsidiaries
“Hilong Energy”	Hilong Energy Limited (海隆能源有限公司), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“Hilong Energy CCT Agreements”	the Coating Services and Hardbanding Services Agreement and the Welding Wire Supply Agreement
“Hilong Energy Group”	Hilong Energy and its subsidiaries
“Hilong Pipeline”	Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司), a company incorporated in the PRC with limited liability
“Hilong Pipeline Group”	Hilong Pipeline and its subsidiaries
“Hilong Shine New Material”	Shanghai Hilong Shine New Material Co., Ltd.* (上海海隆賽能新材料有限公司), a company incorporated in the PRC with limited liability and controlled by Mr. Zhang

DEFINITIONS

“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee of the Company comprising all independent non-executive Directors, namely Mr. WANG Tao (王濤), Mr. WONG Man Chung Francis and Mr. SHI Zheyang, to be established to make recommendation to the Independent Shareholders in respect of 2024 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the 2024 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“Independent Shareholders”	the Shareholders, other than Mr. Zhang and his associates, who are entitled to vote at the EGM in respect of the 2024 Hilong Energy CCT Agreements, the respective transactions contemplated thereunder and the proposed annual caps related thereto
“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”	1 March 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Mr. Zhang”	Mr. ZHANG Jun (張軍), the chairman of the Board, an executive Director and a controlling shareholder of the Company

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this circular, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 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
“Welding Wire Supply Agreement”	the agreement dated 22 December 2023 entered into between Hilong Energy and Hilong Pipeline in relation to the provision of welding wires by Hilong Energy Group to Hilong Pipeline Group
“%”	per cent

* For identification purpose only



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
Dr. FAN Ren Da Anthony

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:
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

4 March 2024

To the Shareholders:

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) SUPPLEMENTAL AGREEMENT TO THE COATING SERVICES AND
HARDBANDING SERVICES AGREEMENT;
(2) RENEWAL OF THE WELDING WIRE SUPPLY AGREEMENT;
AND
(3) NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

References are made to:

- (i) the announcement of the Company dated 22 December 2023 in relation to the Coating Services and Hardbanding Services Agreement and the Welding Wire Supply Agreement, the respective transactions contemplated thereunder and the annual caps related thereto; and

* For identification purpose only

LETTER FROM THE BOARD

- (ii) the announcement of the Company dated 27 February 2024 in relation to the supplemental agreement to the Coating Services and Hardbanding Services Agreement and the renewal of the Welding Wire Supply Agreement, the respective transactions contemplated thereunder and the proposed annual caps related thereto.

The purpose of this circular is to provide you with, among other things, (i) further details of the 2024 Hilong Energy CCT Agreements (including the respective transactions contemplated thereunder and the proposed annual caps related thereto); (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

2. CONTINUING CONNECTED TRANSACTIONS

(A) THE COATING SERVICES AND HARDBANDING SERVICES AGREEMENT AND THE 2024 SUPPLEMENTAL COATING SERVICES AND HARDBANDING SERVICES AGREEMENT

- Background:** Given that the Coating Services and Hardbanding Services Agreement has expired on 31 January 2024, Hilong Energy entered into the 2024 Supplemental Coating Services and Hardbanding Services Agreement with Hilong Pipeline to extend the term of the agreement until 31 December 2024 and to revise the existing annual cap for the period from 1 January 2024 to 31 January 2024 to cover the financial year ending 31 December 2024. The principal terms of the 2024 Supplemental Coating Services and Hardbanding Services Agreement are set out below:
- Date:** 27 February 2024
- Parties:**
- i. Hilong Energy; and
 - ii. Hilong Pipeline
- Subject:** Hilong Pipeline Group shall provide Hilong Energy Group with coating services and hardbanding services as and when requested by Hilong Energy Group during the term of the agreement.

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Term: The 2024 Supplemental Coating Services and Hardbanding Services Agreement will commence on the Effective Date and end on 31 December 2024, subject to renewal upon mutual agreement of both parties and compliance with the Listing Rules.

Pricing policy: Prices are determined after arm's length negotiations between the parties with references to the prevailing market prices within the industry and considering regional price differences, with reference to:

- i. Coating services pricing policy
 - a. PRC Market: the reference prices formulated by China National Petroleum Corporation (CNPC) and China Petroleum & Chemical Corporation (Sinopec Corp.) for similar types, specifications, techniques, and standards of services on an annual basis. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the above reference prices.
 - b. Overseas Market: (i) the prevailing market prices based on comparing quotations obtained from other Independent Third Parties for similar types, specifications, techniques, and standards of services; and (ii) costs to be incurred by Hilong Pipeline Group for coating services with a reasonable profit margin in the range of 40% to 50%. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period; while the actual profit margin will be based on the specifications, techniques and standards of drill-pipes. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the prevailing market prices.

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- ii. Hardbanding services pricing policy
 - (a) The prevailing market prices are based on comparing quotations obtained from other Independent Third Party suppliers in the market for similar types, specifications, techniques, and standards of services; and
 - (b) costs to be incurred by Hilong Pipeline Group for hardbanding services with a reasonable profit margin in the range of 30% to 40%. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period; while the actual profit margin will be determined with reference to the specifications, techniques and standards of drill-pipes. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the prevailing market prices.

In any event, the prices and conditions (including payment and settlement terms) for coating services and hardbanding services offered by Hilong Pipeline Group shall be no less favorable to Hilong Energy Group than any of those available from Independent Third Parties.

LETTER FROM THE BOARD

Historical transaction amounts and the annual cap:

The historical transaction amounts in relation to the coating services and hardbanding services provided by Hilong Pipeline Group to Hilong Energy Group, the existing annual cap and the actual amount for the period from 1 January 2024 to 31 January 2024 are set out in the table below:

Historical transaction amount for the financial year ended 31 December 2021 <i>RMB'000</i>	Historical transaction amount for the financial year ended 31 December 2022 <i>RMB'000</i>	Historical transaction amount for the financial year ended 31 December 2023 <i>RMB'000</i>	Annual cap for the period from 1 January 2024 to 31 January 2024 <i>RMB'000</i>	Actual transaction amount for the period from 1 January 2024 to 31 January 2024 <i>RMB'000</i>
134,643	230,124	313,993	19,000	17,886

The existing annual cap for the transaction amounts to be paid by Hilong Energy Group to Hilong Pipeline Group for the period from 1 January 2024 to 31 January 2024 is revised to cover the financial year ending 31 December 2024 under the 2024 Supplemental Coating Services and Hardbanding Services Agreement as set out below:

Annual cap for the period from 1 January 2024 to 31 January 2024 <i>RMB'000</i>	Revised annual cap for the financial year ending 31 December 2024 <i>RMB'000</i>
19,000	278,000

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Basis for the proposed revised annual cap:	The proposed revised annual cap in respect of the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement is determined with reference to (i) historical transaction amount; (ii) the actual transaction amount for the period from 1 January 2024 to 31 January 2024; (iii) the anticipated demand for coating services and hardbanding services required by Hilong Energy based on drill-pipe production plans of the Group for the financial year ending 31 December 2024 and the strategic drill-pipe projects with key clients of the Group; (iv) the increased opportunities in drill-pipe related business arose from the consumption recovery of oil and gas products and the upstream exploration and production activities due to the end of COVID-19 restrictions; and (v) the implementation of the “2023-2025 Action Plan for Accelerating the integration of Oil and Gas Exploration and Development with New Energy” (加快油氣勘探開發與新能源融合發展行動方案(2023-2025年)) which was launched and promoted by the National Energy Administration (國家能源局).
Condition precedent:	The 2024 Supplemental Coating Services and Hardbanding Services Agreement is conditional upon the Independent Shareholders approving the 2024 Supplemental Coating Services and Hardbanding Services Agreement, the transactions contemplated thereunder and the proposed revised annual cap related thereto at the EGM.
Payment and settlement terms:	Hilong Energy Group shall pay Hilong Pipeline Group within 90 days from the date of invoice.

Reasons for entering into the 2024 Supplemental Coating Services and Hardbanding Services Agreement

The Group requires coating services and hardbanding services for drill pipes production and sales during its ordinary and usual course of business. The Group needs to collaborate with a qualified coating services supplier when participating in the bidding process for the sale of drill pipes.

LETTER FROM THE BOARD

The Company considers that Hilong Pipeline Group is specialized and experienced in coating services through years of cooperation between the Group and Hilong Pipeline Group. Hilong Pipeline is one of the recognized suppliers by such as CNPC, Sinopec Corp., ADNOC Drilling company PJSC (ADNOC) and Ensign. In terms of the global market, certain drill pipe clients also designate Hilong Pipeline as the coating services provider for its capability to provide high-performance coatings under extremely harsh exploration conditions. Drill pipe clients which have a long-standing relationship with the Company such as PetroChina Company Limited (中國石油天然氣股份有限公司), Sinopec Corp., ADNOC also recognized Hilong Pipeline as an approved coating services supplier.

Furthermore, since both parties are familiar with each other's background, communication between parties would be faster and easier, risks and costs for transactions will also be reduced. Hilong Pipeline Group is also familiar with the business needs, quality standards and operation requirements of the Group. Moreover, since the Group's drill-pipe production facility and Hilong Pipeline's coating manufacturing plant are located close to each other, cooperating with Hilong Pipeline will save the Group considerable transportation costs. As set out in the section headed "Internal Control Measures" in this circular, service providers of coating services and hardbanding services will be selected and determined by comparing quotations obtained from Hilong Pipeline and Independent Third Party providers. The entering into of the 2024 Supplemental Coating Services and Hardbanding Services Agreement could provide flexibility to the Group in securing reliable coating services and hardbanding services in 2024.

Therefore, Hilong Energy and Hilong Pipeline decided to enter into the 2024 Supplemental Coating Services and Hardbanding Services Agreement to extend the term of the agreement until 31 December 2024 to meet the Group's business needs in 2024 and to revise the existing annual cap to cover the financial year ending 31 December 2024.

The terms of the 2024 Supplemental Coating Services and Hardbanding Services Agreement were reached after arm's length negotiation between Hilong Energy and Hilong Pipeline. Taking into consideration (i) the entering into of the 2024 Supplemental Coating Services and Hardbanding Services Agreement is in the ordinary and usual course of business of the Group; (ii) the 2024 Supplemental Coating Services and Hardbanding Services Agreement is non-exclusive in nature; and (iii) Hilong Energy Group will only procure coating services and hardbanding services from Hilong Pipeline Group when the price offered by Hilong Pipeline Group is no less favorable to the Group as compared to other quotations received from Independent Third Parties, the Board (including the independent non-executive Directors) considers that the 2024 Supplemental Coating Services and Hardbanding Services Agreement, the transactions contemplated thereunder and the proposed revised annual cap related thereto are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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(B) 2024 WELDING WIRE SUPPLY AGREEMENT

Background: Given that the Welding Wire Supply Agreement has expired on 31 December 2023, Hilong Energy entered into the 2024 Welding Wire Supply Agreement to renew for a one year term from 1 January 2024 to 31 December 2024. The principal terms of the 2024 Welding Wire Supply Agreement are set out below:

Date: 27 February 2024

Parties:

- i. Hilong Energy; and
- ii. Hilong Pipeline

Subject: Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group during the term of the agreement.

Term: The 2024 Welding Wire Supply Agreement will commence on the Effective Date and end on 31 December 2024, subject to renewal upon mutual agreement of both parties and compliance with the Listing Rules.

Pricing policy: Prices are determined after arm's length negotiations between the parties with references to (i) the final price of welding wires and related products sold by Hilong Energy Group to Independent Third Parties in the current financial year; and (ii) the costs of the welding wires produced by Hilong Energy Group plus a reasonable profit margin. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period.

In any event, the prices and conditions (including payment and settlement terms) for welding wires offered by Hilong Energy Group to Hilong Pipeline Group shall be no more favorable than those offered by Hilong Energy Group to Independent Third Parties.

LETTER FROM THE BOARD

Historical transaction amounts and the annual cap:

The historical transaction amounts in relation to the supply of welding wires by Hilong Energy Group to Hilong Pipeline Group, the annual cap and the actual transaction amount for the period from 22 December 2023 to 31 December 2023 are set out in the table below:

Historical transaction amount for the financial year ended 31 December 2021 <i>RMB'000</i>	Historical transaction amount for the financial year ended 31 December 2022 <i>RMB'000</i>	Historical transaction amount for the financial year ended 31 December 2023 <i>RMB'000</i>	Annual cap for the period from 22 December 2023 to 31 December 2023 <i>RMB'000</i>	Actual transaction amount for the period from 22 December 2023 to 31 December 2023 <i>RMB'000</i>
5,164	22,717	21,691	1,200	0

Proposed annual cap:

The proposed annual cap for the transaction amounts to be paid by Hilong Pipeline Group to Hilong Energy Group in relation to the supply of welding wires under the 2024 Welding Wire Supply Agreement for the financial year ending 31 December 2024 is RMB19,060,000.

Basis for the proposed annual cap:

The proposed annual cap in respect of the 2024 Welding Wire Supply Agreement is determined with reference to (i) historical transaction amount in relation to the supply of welding wires by Hilong Energy Group to Hilong Pipeline Group; and (ii) Hilong Pipeline Group's demand for welding wires as communicated to the Group based on the existing projects obtained by Hilong Pipeline Group, which accounts for approximately 30% of the proposed annual cap.

Condition precedent:

The 2024 Welding Wire Supply Agreement is conditional upon the Independent Shareholders approving the 2024 Welding Wire Supply Agreement, the transactions contemplated thereunder and the proposed annual caps related thereto at the EGM.

Payment and settlement terms:

Hilong Pipeline Group shall pay Hilong Energy Group within 90 days from the date of invoice.

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Reasons for entering into the 2024 Welding Wire Supply Agreement

In the past, Hilong Pipeline Group has constantly procured the welding wires produced by the Hilong Energy Group, which are processed into hardbanding and sold to customers as part of the coating services. With years of stable and long-term relationship between Hilong Energy and Hilong Pipeline, Hilong Energy Group is familiar with the business needs and quality standards of Hilong Pipeline Group while Hilong Pipeline is familiar with Hilong Energy's production capability and qualification for welding wires, which promotes higher work efficiency. As the Group currently focuses its resources on drill-pipe related and oilfield services, it does not intend to expand the operation size and sales force of the Group's welding wire business given it is already a highly competitive market and it is relatively difficult for the Group to promote its welding wire products into international markets. The sales to Hilong Pipeline Group shall provide a stable stream of revenue to the Group, enhancing the Group's profitability and bringing better returns to Shareholders. The Group also hopes to capitalize on Hilong Pipeline's geographical coverage in both domestic and overseas markets and to further promote the Group's market presence.

Further, as set out in the section headed "Internal Control Measures" in this circular, the relevant departments and the CCT IC Committee (to be defined below) will follow the internal control measures such that Hilong Energy will only supply welding wire to Hilong Pipeline when the price and conditions (including payment and settlement terms) offered to Hilong Pipeline are no more favorable than those being offered to Independent Third Party.

Therefore, Hilong Energy and Hilong Pipeline decided to enter into the 2024 Welding Wire Supply Agreement to renew for a one year term from 1 January 2024 to 31 December 2024.

The terms of the 2024 Welding Wire Supply Agreement were reached after arm's length negotiation between Hilong Energy and Hilong Pipeline. Taking into consideration (i) the entering into of the 2024 Welding Wire Supply Agreement is in the ordinary and usual course of business of the Group; and (ii) the 2024 Welding Wire Supply Agreement is non-exclusive in nature and the Group has other existing welding wires clients who are Independent Third Parties, the Board (including the independent non-executive Directors) considers that the 2024 Welding Wire Supply Agreement, the transactions contemplated thereunder and the proposed annual cap related thereto are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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3. INTERNAL CONTROL MEASURES

The Company has established internal control measures to ensure that (i) terms of the 2024 Hilong Energy CCT Agreements are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (ii) the transactions and the pricing policy are conducted in accordance with the terms of the 2024 Hilong Energy CCT Agreements.

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 heads of the financial department, the marketing department, the procurement department and 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.

Before entering into the transactions under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement, the relevant staff of the marketing department will obtain at least two quotations from Independent Third Party service providers selected from a list of pre-approved coating services and hardbanding service providers maintained by the Group from time to time ("**Pre-approved Supplier List**"). The criteria of the Pre-approved Supplier List include, among others, production capabilities and quality, qualifications, reputation, experience and location. The Pre-approved Supplier List is then approved by both the heads of the marketing department and procurement department and is subject to review annually. The selection basis of the two Independent Third Party service providers for quotation include their performance in recent completed projects, current service capacity, delivery timeline and competitiveness of pricing terms offered. The quotations together with the relevant supporting documents will then be reviewed by the financial department and then approved by the CCT IC Committee, to ensure that the pricing and terms of the coating services and hardbanding services provided by Hilong Pipeline Group will be no less favorable to the Group as compared to other quotations received from Independent Third Party service providers.

Before entering into the transactions under the 2024 Welding Wire Supply Agreement, the marketing department will closely monitor the prices of the welding wires offered to Hilong Pipeline by evaluating the average price of the welding wires offered to the Independent Third Parties of the Group and the market prices of similar products under similar sales terms and conditions. For the evaluation mentioned above, the marketing department of the Group will first collect market price information available in the public domain. The CCT IC Committee will then discuss and review the prices and conditions of the welding wires offered to Hilong Pipeline (taking into account various factors such as costs, transaction volume, sales channel and market competition). In the event of market fluctuations, the CCT IC Committee will also convene meetings on an urgent basis. If at any time the relevant departments of the Group become aware that the price of welding wires offered to Hilong Pipeline is lower than that offered by the Group to Independent Third Parties and/or the terms of welding wires offered to Hilong

LETTER FROM THE BOARD

Pipeline Group are more favorable than those offered by the Group to Independent Third Parties, such findings shall be reported to the CCT IC Committee immediately. The CCT IC committee shall then discuss with the Board to adjust the price offered to Hilong Pipeline Group and/or amend the relevant terms. Hilong Energy Group will only supply welding wires to Hilong Pipeline Group when the sales prices and conditions offered to Hilong Pipeline Group are no more favorable than those being offered to Independent Third Party and to ensure that all transactions with Hilong Pipeline Group will comply with the terms of the 2024 Welding Wire Supply Agreement.

To ensure the transactions contemplated under the 2024 Hilong Energy CCT Agreements do not exceed the respective proposed annual caps, the financial department of the Company will regularly monitor the actual transaction amount under the 2024 Hilong Energy CCT Agreements on a monthly basis and submit monthly reports to the CCT IC Committee to evaluate and review the implementation progress of the continuing connected transactions. If the financial department notices that the transactions under the 2024 Hilong Energy CCT Agreements will have the possibility of exceeding the respective proposed annual caps, it will notify the business and legal departments of the Group at once, as well as the CCT IC Committee to take next steps to ensure compliance with the relevant Listing Rules.

The audit department of the Company will review the continuing connected transactions under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement annually to check and confirm (among others) the fairness of the pricing terms, the implementation of continuing connected transactions, and the compliance of contract approval, ensuring that the internal control processes and operational procedures are complied in accordance with the requirements of the Management System and the Listing Rules.

The Company's external auditors will review the continuing connected transactions under each of the 2024 Hilong Energy CCT Agreements annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded. Hilong Pipeline Group has agreed to allow the Company and its external auditors to access the information necessary to report on the continuing connected transactions contemplated under the 2024 Hilong Energy CCT Agreements.

The independent non-executive Directors will review the continuing connected transactions under the 2024 Hilong Energy CCT Agreements annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.

LETTER FROM THE BOARD

4. INFORMATION ON THE COMPANY AND THE COUNTERPARTIES

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.

Hilong Energy

Hilong Energy is incorporated in Hong Kong in 2008 and is principally engaged in investment holding. Hilong Energy is an indirect wholly-owned subsidiary of the Company. Hilong Energy Group consists of Hilong Energy and its subsidiaries.

Hilong Pipeline

Hilong Pipeline is established in the PRC in 2005 and is principally engaged in the provision of coating services. Hilong Pipeline Group consists of Hilong Pipeline and its subsidiaries. Hilong Pipeline Group is principally engaged in multi-functional coating materials and coating services, inspection services and maintenance services for various pipes utilized in oil and gas drilling and transmission processes in the PRC and overseas markets. Hilong Pipeline is wholly-owned by Hilong Shine New Material.

As at the Latest Practicable Date, Hilong Shine New Material is held as to:

- (1) approximately 52.57% by BHH Petroleum Machine Equipment, which is held as to approximately 95.65% and 4.35% by Mr. Zhang and Ms. Zhang Jingying, the mother of Mr. Zhang, respectively;
- (2) approximately 18.18% by Sinopec Group Capital Co., Ltd. (中國石化集團資本有限公司) (“**Sinopec Group Capital**”), a company incorporated under the laws of the PRC. As at the Latest Practicable Date, Sinopec Group Capital was held as to 51.00% by China Petrochemical Corp. (中國石油化工集團有限公司) which is a state-owned enterprise and 49.00% by China Petroleum & Chemical Corporation (中國石油化工股份有限公司) which is listed on the Stock Exchange (stock code: 00386) and the Shanghai Stock Exchange (stock code: 600028);
- (3) approximately 6.06% by China Building Material (Anhui) New Materials Industry Investment Fund (Limited Partnership) (中建材(安徽)新材料產業投資基金合夥企業(有限合夥)) (“**CBM Anhui**”), a limited partnership incorporated under the laws of the PRC. As at the Latest Practicable Date, the executive partner of CBM Anhui is China

LETTER FROM THE BOARD

Building Materials (Anhui) New materials Fund Management Co., Ltd. (中建材(安徽)新材料基金管理有限公司) which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);

- (4) approximately 5.33% by Zibo Juncihongchuang No.1 Equity Investment Fund Partnership (Limited Partnership) (淄博隼賜虹創壹號股權投資基金合夥企業(有限合夥)) (“Zibo Juncihongchuang”), a limited partnership incorporated under the laws of the PRC. As at the Latest Practicable Date, the executive partner of Zibo Juncihongchuang is Shanghai Junci Investment Co., Ltd. (上海隼賜投資管理有限公司), which is owned as to 51.00% by Zhang Fenglin (張鳳林) and 49.00% by Zhang Liying (張利英) who are Independent Third Parties; and
- (5) other 11 shareholders each holding less than 5% of the equity interest in Hilong Shine New Material.

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

5. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Hilong Energy is an indirect wholly-owned subsidiary of the Company, and Hilong Pipeline is a wholly-owned subsidiary of Hilong Shine New Material. Hilong Shine New Material is held as to approximately 52.57% by BHH Petroleum Machine Equipment, which is held as to approximately 95.65% by Mr. Zhang, the chairman of the Board, and approximately 4.35% by Ms. Zhang Jingying, the mother of Mr. Zhang. As such, Hilong Pipeline is an associate of Mr. Zhang and thus a connected person of the Company. Therefore, the transactions under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The existing annual cap of the transactions under the Coating Services and Hardbanding Services is adjusted to cover the financial year ending 31 December 2024. Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the existing annual cap, the Company will have to re-comply with provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

Given (i) the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and (ii) the 2024 Welding Wire Supply Agreement are entered into within a 12-month period with the same connected person and are of a similar nature, the Company has aggregated the transactions contemplated under such agreements for the purpose of considering the Company’s compliance obligations

LETTER FROM THE BOARD

pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. The proposed revised annual cap for the transactions contemplated under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement is RMB278,000,000 and the proposed annual cap under the 2024 Welding Wire Supply Agreement is RMB19,060,000. Therefore, the aggregate proposed annual caps in relation to the transactions under such agreements for the financial year ending 31 December 2024 is RMB297,060,000. As the highest applicable percentage ratio of the aggregate proposed annual caps exceed 5%, each of the above transactions is subject to, among other things, the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhang, the chairman of the Board who is also the ultimate controlling shareholder of Hilong Pipeline, is considered to have a material interest in the (i) the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and (ii) the 2024 Welding Wire Supply Agreement. Mr. Zhang and each of Ms. ZHANG Shuman and Mr. CAO Hongbo, who is an associate of Mr. Zhang for the purpose of Chapter 14A of the Listing Rules, have abstained from voting on the board resolutions approving the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

Pursuant to 14A.36 of the Listing Rules, any Shareholder who has a material interest in the 2024 Hilong Energy CCT Agreements shall abstain from voting to approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto at the EGM. As at the Latest Practicable Date, Hilong Group Limited, Younger Investment Limited, North Violet Investment Limited and LongZhi Investment Limited are interested in an aggregate of 825,961,800 Shares, which are held by Mr. Zhang's trust and family trusts, with Standard Chartered Trust (Singapore) Limited acting as trustee of Mr. Zhang's trust and family trusts. Mr. Zhang is interested in 1,260,000 Shares in his capacity as a beneficial owner, and is the founder of Mr. Zhang's trust and family trusts as well as the sole director of Hilong Group Limited, North Violet Investment Limited and LongZhi Investment Limited. In addition, Ms. ZHANG Shuman is interested in 692,000 Shares in her capacity as a beneficial owner, and is deemed to be interested in the Shares held by Younger Investment Limited of which she is the sole director. Mr. CAO Hongbo is interested in 1,708,000 Shares in his capacity as a beneficial owner. Accordingly, each of Hilong Group Limited, Younger Investment Limited, North Violet Investment Limited, LongZhi Investment Limited, Mr. Zhang, Ms. ZHANG Shuman and Mr. CAO Hongbo, who are interested in an aggregate of 829,621,800 Shares, representing approximately 48.90% of the total issued Shares of the Company as at the Latest Practicable Date, will be required to abstain from voting on the relevant resolutions at the EGM to approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto accordingly. Save as disclosed above, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting as no other Shareholder has any interest in the 2024 Hilong Energy CCT Agreements which is different from the other Shareholders.

LETTER FROM THE BOARD

6. EGM

The EGM will be convened and held to consider and, if thought fit, approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

The Independent Board Committee comprising Mr. WANG Tao (王濤), Mr. WONG Man Chung Francis and Mr. SHI Zheyang, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A notice convening the EGM to be held at Conference Room, 6th Floor, Hilong Group of Companies Ltd., No.1825 Luodong Road, Baoshan Industrial Zone, Shanghai, China on Thursday, 21 March 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Ordinary resolutions will be proposed at the EGM for the purpose of considering and, if thought fit, approving the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto. The voting on the ordinary resolutions to be proposed at the EGM will be taken by way of poll and an announcement will be made by the Company after the EGM on the result of the EGM with respect to whether or not the proposed ordinary resolutions have been passed by the Shareholders.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to read the notice of EGM and to complete the form of proxy enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

7. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 March 2024 to Thursday, 21 March 2024, both days inclusive, during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of members of the Company on Thursday, 21 March 2024 are entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 15 March 2024.

LETTER FROM THE BOARD

8. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee on page 22 of this circular, which contains its recommendation to the Independent Shareholders, and the letter of advice from the Independent Financial Adviser on pages 23 to 41 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

Having considered the principal factors and reasons stated in the letter of advice from the Independent Financial Adviser, the Independent Board Committee considers that the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto are fair and reasonable and on normal commercial terms or better, and such transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

9. ADDITIONAL INFORMATION

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

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



Hilong Holding Limited
海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1623)

4 March 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) SUPPLEMENTAL AGREEMENT TO THE COATING SERVICES
AND HARDBANDING SERVICES AGREEMENT; AND
(2) RENEWAL OF THE WELDING WIRE SUPPLY AGREEMENT

We refer to the circular of the Company dated 4 March 2024 (the “Circular”) to the Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed by the Board to form the Independent Board Committee to advise you in connection with the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto, details of which are set out in the letter from the Board which is on pages 5 to 21 of the Circular.

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to their letter of advice which is on pages 23 to 41 of the Circular.

Having considered the principal factors and reasons stated in the letter of advice from the Independent Financial Adviser, we consider that the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto are fair and reasonable and on normal commercial terms or better, and such transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto.

Yours faithfully,
Independent Board Committee

Mr. WANG Tao (王濤)
*Independent Non-executive
Director*

Mr. WONG Man Chung Francis
*Independent Non-executive
Director*

Mr. SHI Zheyang
*Independent Non-executive
Director*

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2024 Hilong Energy CCT Agreements, which has been prepared for the purpose of inclusion in this circular.

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
法博資本有限公司

Rainbow Capital (HK) Limited

4 March 2024

To the Independent Board Committee and the Independent Shareholders

Hilong Holding Limited
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS (1) SUPPLEMENTAL AGREEMENT TO THE COATING SERVICES AND HARDBANDING SERVICES AGREEMENT; AND (2) RENEWAL OF THE WELDING WIRE SUPPLY AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company dated 4 March 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Upon completion of the disposal of Hilong Pipeline in 2023, Hilong Pipeline becomes wholly-owned by Hilong Shine New Material. As at the Latest Practicable Date, Hilong Shine New Material was held as to approximately 52.57% by BHH Petroleum Machine Equipment, which was held as to approximately 95.65% by Mr. Zhang, the chairman of the Board, and approximately 4.35% by Ms. Zhang Jingying, the mother of Mr. Zhang. As such, Hilong Pipeline is an associate of Mr. Zhang and thus a connected person of the Company. Therefore, the transactions under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Given (i) the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and (ii) the 2024 Welding Wire Supply Agreement are entered into within a 12-month period with the same connected person and are of a similar nature, the transactions contemplated under such agreements shall be aggregated in accordance with Rules 14A.81 to 14A.83 of the Listing Rules. As the highest applicable percentage ratio of the aggregate proposed annual caps exceed 5%, each of the above transactions is subject to, among other things, the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to 14A.36 of the Listing Rules, any Shareholder who has a material interest in the 2024 Hilong Energy CCT Agreements shall abstain from voting to approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto at the EGM. According to the Letter from the Board, each of Hilong Group Limited, Younger Investment Limited, North Violet Investment Limited, LongZhi Investment Limited, Mr. Zhang, Ms. ZHANG Shuman and Mr. CAO Hongbo, will be required to abstain from voting on the relevant resolutions at the EGM to approve the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the proposed annual caps related thereto accordingly. Save as disclosed above, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting as no other Shareholder has any interest in the 2024 Hilong Energy CCT Agreements which is different from the other Shareholders.

The Independent Board Committee comprising Mr. WANG Tao (王濤), Mr. WONG Man Chung Francis and Mr. SHI Zheyang, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the 2024 Hilong Energy CCT Agreements, the transactions contemplated thereunder and the annual caps related thereof. We, Rainbow Capital (HK) Limited, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, Hilong Pipeline Group and Mr. Zhang that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the Independent Shareholders of the Company in relation to the very substantial disposal and connected transaction in relation to the disposal of 100% equity interest in Hilong Pipeline, details of which are set out in the circular of the Company dated 31 March 2023. Other than that, there was no engagement or connection between the Group, Hilong Pipeline Group or Mr. Zhang and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, Hilong Pipeline Group or Mr. Zhang. Accordingly, we are independent from the Company pursuant to the requirements under Rule 13.84 and therefore are qualified to give independent advice in respect of the 2024 Hilong Energy CCT Agreements and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Hilong Pipeline or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the 2024 Hilong Energy CCT Agreements (including the proposed annual caps), we have taken into account the principal factors and reasons set out below:

1. Information of the Group and Hilong Pipeline

(i) Information of 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2022 (“FY2020”, “FY2021” and “FY2022”, respectively) as extracted from the annual reports of the Company for FY2021 and FY2022 (the “2021 Annual Report” and the “2022 Annual Report”, respectively) and the six months ended 30 June 2022 and 2023 (“6M2022” and “6M2023”, respectively) as extracted from the interim report of the Company for 6M2023:

Financial performance

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	2,623,037	2,916,922	3,736,078	1,703,243	2,106,394
– Oilfield equipment manufacturing and services	1,307,131	1,204,759	2,210,065	1,003,136	1,275,106
– Line pipe technology and services	253,839	388,727	354,857	177,271	93,983
– Oilfield services	683,782	845,282	1,057,479	458,544	588,661
– Offshore engineering services	378,285	478,154	113,677	64,292	148,644
Gross profit	693,983	898,319	1,066,919	456,874	661,463
Operating (loss)/profit	(144,233)	460,347	695,191	357,716	438,753
(Loss)/profit attributable to the Shareholders	(298,806)	44,249	140,976	54,058	144,701

The Group’s revenue increased from approximately RMB2,623 million for FY2020 to approximately RMB2,917 million for FY2021. Supported by the gradual pick-up of orders, the three segments, being oil field services, line pipe technology and services and offshore engineering services, achieved revenue growth in varying degrees. The gross profit increased from approximately RMB694 million for FY2020 to approximately RMB898 million for FY2021. The Group achieved turnaround from loss attributable to the Shareholders of approximately RMB299 million for FY2020 to profit of approximately RMB44 million for FY2021 mainly due to (1) the increase in gross profit; (2) net reversal of impairment losses on financial assets of approximately RMB16.8 million for FY2021 as compared to net provision of approximately RMB132 million; and (3) the increase in other gains as a result of the disposal of subsidiaries.

The Group’s revenue further increased from approximately RMB2,917 million for FY2021 to approximately RMB3,736 million for FY2022, which was mainly due to the increase in revenue from oilfield equipment manufacturing segment. Revenue from the oilfield equipment manufacturing and services segment increased approximately 83.4% from RMB1,205 million for FY2021 to RMB2,210 million for FY2022. Such increase primarily reflected the increase in revenue derived from drill pipes sales and OCTG coating services. The gross profit increased from approximately RMB898 million for FY2021 to approximately RMB1,067 million for FY2022. Profit attributable to the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders increased from approximately RMB44 million for FY2021 to approximately RMB141 million for FY2022, which was mainly due to the increase in gross profit.

The Group's revenue increased from approximately RMB1,703 million for 6M2022 to approximately RMB2,106 million for 6M2023, which was mainly attributable to the increase in revenue from the oilfield equipment manufacturing and services segment and oilfield services segment. Revenue from the oilfield equipment manufacturing and services segment increased approximately 27.1% from RMB1,003 million for 6M2022 to RMB1,275 million for 6M2023, which primarily reflected the increase in revenue derived from drill pipe sales particularly in the PRC market. As a result of the increase in revenue, gross profit of the Group increased from approximately RMB457 million for 6M2022 to approximately RMB589 million for 6M2023, and profit attributable to the Shareholders of the Group increased from approximately RMB358 million for 6M2022 to approximately RMB439 million for 6M2023.

On 31 March 2023, the Group entered into an agreement with Hilong Group for the disposal of Hilong Pipeline. Following the completion of the disposal, the Group ceased to engaged in the provision of coating services.

Financial position

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Non-current assets, including:	3,277,039	2,945,299	3,187,536	3,217,678
– Property, plant and equipment	2,619,526	2,381,624	2,533,230	2,580,892
Current assets, including:	4,093,318	4,126,507	4,613,491	4,927,765
– Inventories	1,001,255	1,050,881	1,174,154	1,342,553
– Trade and other receivables	1,682,031	1,663,545	1,784,960	1,905,643
Total assets	7,370,357	7,071,806	7,801,027	8,145,443
Current liabilities, including:	4,124,506	1,504,120	1,787,101	2,031,910
– Trade and other payables	906,793	736,348	1,033,268	1,329,287
– Borrowings	3,101,841	607,352	569,197	587,555
Non-current liabilities, including:	127,553	2,524,859	2,658,952	2,664,746
– Borrowings	23,674	2,432,509	2,546,163	2,552,844
Total liabilities	4,252,059	4,028,979	4,446,053	4,696,656
Net assets	3,118,298	3,042,827	3,354,974	3,448,787
Equity attributable to the Shareholders	3,074,472	3,015,479	3,323,186	3,411,666

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2023, total assets of the Group were approximately RMB8,145 million, which mainly consisted of (1) property, plant and equipment of approximately RMB2,581 million; (2) inventories of approximately RMB1,342 million; and (3) trade and other receivables of approximately RMB1,906 million.

As at 30 June 2023, total liabilities of the Group were approximately RMB4,696 million, which mainly consisted of (1) borrowings of approximately RMB3,140 million; and (2) trade and other payables of approximately RMB1,329 million.

The Group's equity attributable to the Shareholders increased from approximately RMB3,323 million as at 31 December 2022 to approximately RMB3,412 million as at 30 June 2023, mainly due to the net profit for 6M2023.

(ii) Information of Hilong Pipeline

Hilong Pipeline is established in the PRC in 2005 and is principally engaged in the provision of coating services. Hilong Pipeline Group consists of Hilong Pipeline and its subsidiaries. Hilong Pipeline Group is principally engaged in multi-functional coating materials and coating services, inspection services and maintenance services for various pipes utilized in oil and gas drilling and transmission processes in the PRC and overseas markets. Hilong Pipeline is wholly-owned by Hilong Shine New Material.

2. Reasons for and benefits of entering into the 2023 Hilong Energy Agreements

With reference to the circular of the Company dated 31 March 2023 in relation to the very substantial disposal and connected transaction, upon completion of the disposal, the Group will focus on providing customers with diversified onshore drilling services and offshore engineering services as well as drill pipe production business. As stated in the Letter from the Board, the Group requires coating services and hardbanding services for its drill pipes during its ordinary and usual course of business. The Group needs to collaborate with a qualified coating services supplier when participating in the bidding process for the sale of drill pipes.

The Company considers that Hilong Pipeline Group is specialized and experienced in coating services through years of cooperation between the Group and Hilong Pipeline Group. Hilong Pipeline is one of the recognized suppliers by CNPC, Sinopec Corp., ADNOC Drilling company PJSC (ADNOC) and Ensign. In terms of the global market, certain drill pipe clients also designate Hilong Pipeline as the coating services provider for its capability to provide high-performance coatings under extremely harsh exploration conditions. Drill pipe clients which have a long-standing relationship with the Company such as PetroChina Company Limited (中國石油天然氣股份有限公司), Sinopec Corp., ADNOC also recognized Hilong Pipeline as an approved coating services supplier.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, since both parties are familiar with each other's background, communication between parties would be faster and easier, risks and costs for transactions will also be reduced. Hilong Pipeline Group is also familiar with the business needs, quality standards and operation requirements of the Group. Moreover, since the Group's drill-pipe production facility and Hilong Pipeline's coating manufacturing plant are located close to each other, cooperating with Hilong Pipeline will save the Group considerable transportation costs. As set out in the section headed "Internal Control Measures" in the Letter from the Board, service providers of coating services and hardbanding services will be selected and determined by comparing quotations obtained from Hilong Pipeline and Independent Third Party services providers. The entering into of the 2024 Supplemental Coating Services and Hardbanding Services Agreement could provide flexibility to the Group in securing reliable coating services and hardbanding services in 2024.

Therefore, Hilong Energy and Hilong Pipeline decided to enter into the 2024 Supplemental Coating Services and Hardbanding Services Agreement to extend the term of the agreement until 31 December 2024 to meet the Group's business needs in 2024 and to revise the existing annual cap for the period from 1 January 2024 to 31 January 2024 to cover the financial year ending 31 December 2024.

As for the provision of welding wires, Hilong Pipeline Group has constantly procured the welding wires produced by the Hilong Energy Group in the past, which are processed into hardbanding and sold to customers as part of the coating services. With years of stable and long-term relationship between Hilong Energy and Hilong Pipeline, Hilong Energy Group is familiar with the business needs and quality standards of Hilong Pipeline Group while Hilong Pipeline is familiar with Hilong Energy's production capability and qualification for welding wires, which promotes higher work efficiency. As the Group currently focuses its resources on drill-pipe related and oilfield services, it does not intend to expand the operation size and sales force of the Group's welding wire business given it is already a highly competitive market and it is relatively difficult for the Group to promote its welding wire products into international markets. The sales to Hilong Pipeline Group shall provide a stable stream of revenue to the Group, enhancing the Group's profitability and bringing better returns to Shareholders. The Group also hopes to capitalize on Hilong Pipeline's geographical coverage in both domestic and overseas market and to further promote the Group's markets presence.

Further, as set out in the section headed "Internal Control Measures" in the Letter from the Board, the relevant departments and the CCT IC Committee will follow the internal control measures such that Hilong Energy will only supply welding wire to Hilong Pipeline when the price and conditions (including payment and settlement terms) offered to Hilong Pipeline are no more favorable than those being offered to Independent Third Party.

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Therefore, Hilong Energy and Hilong Pipeline decided to enter into the 2024 Welding Wire Supply Agreement to renew for a one year term from 1 January 2024 to 31 December 2024.

Based on the above, we concur with the Board that the entering into of the 2024 Supplemental Coating Services and Hardbanding Services Agreement and 2024 Welding Wire Supply Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 2024 Hilong Energy CCT Agreements

Details of the terms of the 2024 Hilong Energy CCT Agreements are set out in the sections headed “Continuing Connected Transactions” in the Letter from the Board. Set out below are the principal terms of the 2024 Hilong Energy CCT Agreements:

(i) 2024 Supplemental Coating Services and Hardbanding Services Agreement

Given that the Coating Services and Hardbanding Services Agreement has expired on 31 January 2024, Hilong Energy entered into the 2024 Supplemental Coating Services and Hardbanding Services Agreement with Hilong Pipeline to extend the term of the agreement until 31 December 2024 and to revise the existing annual cap for the period from 1 January 2024 to 31 January 2024 to cover the financial year ending 31 December 2024. The principal terms of the 2024 Supplemental Coating Services and Hardbanding Services Agreement are set out below:

Date	:	27 February 2024
Parties	:	(a) Hilong Pipeline; and (b) Hilong Energy.
Subject	:	Hilong Pipeline Group shall provide to Hilong Energy Group with coating services and hardbanding services as and when requested by Hilong Energy Group during the term of the agreement.
Term	:	The 2024 Supplemental Coating Services and Hardbanding Services Agreement will commence on the Effective Date and end on 31 December 2024, subject to renewal upon mutual agreement of both parties and compliance with the Listing Rules.

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Pricing Policy : Prices are determined after arm's length negotiations between the parties with references to the prevailing market prices within the industry and considering regional price differences, with reference to:

- i. Coating services pricing policy
 - a. PRC Market: the reference prices formulated by China National Petroleum Corporation (CNPC) and China Petroleum & Chemical Corporation (Sinopec Corp.) for similar types, specifications, techniques, and standards of services on an annual basis. Hilong Pipeline offers discount in the range of 1% to 12% to the Group based on the above reference prices.
 - b. Overseas Market: (i) the prevailing market prices based on comparing quotations obtained from other Independent Third Parties for similar types, specifications, techniques, and standards of services; and (ii) costs to be incurred by Hilong Pipeline Group for coating services with a reasonable profit margin in the range of 40% to 50%. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period; while the actual profit margin will be based on the specifications, techniques and standards of drill-pipes. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the prevailing market prices.
- ii. Hardbanding services pricing policy
 - a. The prevailing market prices are based on comparing quotations obtained from other Independent Third Party suppliers in the market for similar types, specifications, techniques, and standards of services; and

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- b. costs to be incurred by Hilong Pipeline Group for hardbanding services with a reasonable profit margin in the range of 30% to 40%. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period; while the actual profit margin will be determined with reference to the specifications, techniques and standards of drill-pipes. Hilong Pipeline offers a discount in the range of 1% to 12% to the Group based on the prevailing market prices.

In any event, the prices and conditions (including payment and settlement terms) for coating services and hardbanding services offered by Hilong Pipeline Group shall be no less favorable to Hilong Energy Group than any of those available from Independent Third Parties.

In assessing whether the terms of the 2024 Supplemental Coating Services and Hardbanding Services Agreement are fair and reasonable, we have selected in a random basis and reviewed six agreements for coating services and six agreements for hardbanding services (the "**Purchase Agreements**") entered into between the Group and Hilong Pipeline Group in 2023, with the aggregate transaction amount represented approximately 29.2% and 36.3% of the total transaction amount for coating services and hardbanding services entered into between the Group and Hilong Pipeline Group in 2023, respectively. For comparison purpose, we have also obtained three agreements for similar coating services and three quotations for similar hardbanding services obtained from Independent Third Party service providers as the Group did not enter into agreement for hardbanding services with Independent Third Party service providers in 2023, which we consider to be fair and representative as the services provided under these samples are comparable to the Purchase Agreements. In addition, we have obtained price list for coating services of CNPC and Sinopec Corp. and the price list of coating services and hardbanding procured from Hilong Pipeline ("**Hilong Procurement Pricelist**") for comparison. It is noted that (i) the prices of coating services on the Hilong Procurement Pricelist are set at a slight discount to the price of CNPC and Sinopec Corp. in accordance with the terms of the 2024 Supplemental Coating Services and Hardbanding Services Agreement; (ii) the price of coating services and hardbanding services on the Purchase Agreements are priced in accordance with the Hilong Procurement Pricelist; and (iii) the price on the Hilong Procurement Pricelist are being no less favorable than the price of similar type of services offered by the Independent Third Party service providers as set out in the sample agreements and quotation.

Based on our review of the agreements and quotations as stated above, we consider that the terms, including pricing basis, of the Purchase Agreements are on

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normal commercial terms which are fair and reasonable and the pricing terms offered by Hilong Pipeline Group to the Group are not being less favorable than the prevailing market prices offered by Independent Third Party service providers for similar services. As such, we consider that the terms of the 2024 Supplemental Coating Services and Hardbanding Services Agreement to be on normal commercial terms which are fair and reasonable.

(ii) 2024 Welding Wire Supply Agreement

Given that the Welding Wire Supply Agreement has expired on 31 December 2023, Hilong Energy entered into the 2024 Welding Wire Supply Agreement to renew for one year term from 1 January 2024 to 31 December 2024. The principal terms of the 2024 Welding Wire Supply Agreement are set out below:

- Date : 27 February 2024
- Parties : (a) Hilong Pipeline; and
(b) Hilong Energy.
- Subject : Hilong Energy Group shall supply welding wires and related products to Hilong Pipeline Group as and when requested by Hilong Pipeline Group during the term of the agreement.
- Term : The 2024 Welding Wire Supply Agreement will commence on the Effective Date and end on 31 December 2024, subject to renewal upon mutual agreement of both parties and compliance with the Listing Rules.
- Pricing Policy : Prices are determined after arm's length negotiations between the parties with references to (i) the final price of welding wires and related products sold by Hilong Energy Group to Independent Third Parties in the current financial year; and (ii) the costs of the welding wires produced by Hilong Energy Group plus a reasonable profit margin. The profit margin is determined after arm's length negotiation between the parties with reference to the profit margin of similar and comparable transactions with Independent Third Parties in the corresponding period.

In any event, the prices and conditions (including payment and settlement terms) for welding wires offered by Hilong Energy Group to Hilong Pipeline Group shall be no more favorable than those offered by Hilong Energy Group to Independent Third Parties.

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In assessing whether the terms of the 2024 Welding Wire Supply Agreement are fair and reasonable, we have selected in a random basis and reviewed three orders (the “**Supply Orders**”) for welding wires and related products entered into between the Group and Hilong Pipeline Group in 2024, with the aggregate transaction amount represented approximately 40.1% of the total transaction amount for welding wires and related products entered into between the Group and Hilong Pipeline Group in 2024. For comparison purpose, we have also obtained all the three agreements for similar welding wires and related products entered into between the Group and Independent Third Party customers in 2024, which we consider to be fair and representative. In addition, we have also obtained the price list of welding wires provided by Hilong Energy to Hilong Pipeline Group (“**Hilong Supply Pricelist**”) for comparison. It is noted that (i) the price of welding wires on the Supply Orders are priced in accordance with the Hilong Supply Pricelist; and (ii) the price on the Hilong Supply Pricelist are being no more favorable than the price of similar type of welding wires as set out in the sample agreements.

Based on our review of the agreements as stated above, we consider that the terms, including pricing basis, of the Supply Orders are on normal commercial terms which are fair and reasonable and the pricing terms offered by the Group to Hilong Pipeline Group to are not being more favorable than those offered by the Group to Independent Third Party customers for similar products. As such, we consider that the terms of the 2024 Welding Wire Supply Agreement to be on normal commercial terms which are fair and reasonable.

4. Internal control measures of the Group

The Company has adopted the following internal control measures with respect to the transactions contemplated under the 2024 Hilong Energy CCT Agreements in order to safeguard the interests of the Shareholders:

- (i) the Company has adopted and implemented the Management System on connected transactions (“**Management System**”). Under the Management System, an internal control review committee (“**CCT IC Committee**”) is established and comprises the heads of the financial department, the marketing department, the procurement department and 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;
- (ii) before entering into the transactions under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement, the relevant staff of the marketing department will obtain at least two quotations from Independent Third Party service providers selected from a list of pre-approved coating services and hardbanding service providers maintained by the Group from time to time (“**Pre-approved Supplier List**”). The criteria of the Pre-approved Supplier List include, among others, production capabilities and quality, qualifications, reputation, experience and location. The Pre-approved Supplier List is then approved by both the heads of the

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marketing department and procurement department and is subject to review annually. The selection basis of the two Independent Third Party service providers for quotation include their performance in recent completed projects, current service capacity, delivery timeline and competitiveness of pricing terms offered. The quotations together with the relevant supporting documents will then be reviewed by the financial department and then approved by the CCT IC Committee, to ensure that the pricing and terms of the coating services and hardbanding services provided by Hilong Pipeline Group will be no less favorable to the Group as compared to other quotations received from Independent Third Party service providers;

- (iii) before entering into the transactions under the 2024 Welding Wire Supply Agreement, the marketing department will closely monitor the prices of the welding wires offered to Hilong Pipeline by evaluating the average price of the welding wires offered to the Independent Third Parties of the Group and the market prices of similar products under similar sales terms and conditions. For the evaluation mentioned above, the marketing department of the Group will first collect market price information available in the public domain. The CCT IC Committee will then discuss and review the prices and conditions of the welding wires offered to Hilong Pipeline (taking into account various factors such as costs, transaction volume, sales channel and market competition). In the event of market fluctuations, the CCT IC Committee will also convene meetings on an urgent basis. If at any time the relevant departments of the Group become aware that the price of welding wires offered to Hilong Pipeline is lower than that offered by the Group to Independent Third Parties and/or the terms of welding wires offered to Hilong Pipeline Group are more favorable than those offered by the Group to Independent Third Parties, such findings shall be reported to the CCT IC Committee immediately. The CCT IC committee shall then discuss with the Board to adjust the price offered to Hilong Pipeline Group and/or amend the relevant terms. Hilong Energy Group will only supply welding wires to Hilong Pipeline Group when the sales prices and conditions offered to Hilong Pipeline Group are no more favorable than those being offered to Independent Third Party and to ensure that all transactions with Hilong Pipeline Group will comply with the terms of the 2024 Welding Wire Supply Agreement;
- (iv) to ensure the transactions contemplated under the 2024 Hilong Energy CCT Agreements do not exceed the respective proposed annual caps, the financial department of the Company will regularly monitor the actual transaction amount under the 2024 Hilong Energy CCT Agreements on a monthly basis and submit monthly reports to the CCT IC Committee to evaluate and review the implementation progress of the continuing connected transactions. If the financial department notices that the transactions under the 2024 Hilong Energy CCT Agreements will have the possibility of exceeding the respective proposed annual caps, it will notify the business and legal departments of the Group at once, as well as the CCT IC Committee to take next steps to ensure compliance with the relevant Listing Rules;

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- (v) the audit department of the Company will review the continuing connected transactions under the Coating Services and Hardbanding Services Agreement as supplemented and amended by the 2024 Supplemental Coating Services and Hardbanding Services Agreement and the 2024 Welding Wire Supply Agreement annually to check and confirm (among others) the fairness of the pricing terms, the implementation of continuing connected transactions, and the compliance of contract approval, ensuring that the internal control processes and operational procedures are complied in accordance with the requirements of the Management System and the Listing Rules;
- (vi) the Company's external auditors will review the continuing connected transactions under each of the 2024 Hilong Energy CCT Agreements annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded. Hilong Pipeline Group has agreed to allow the Company and its external auditors to access the information necessary to report on the continuing connected transactions contemplated under the 2024 Hilong Energy CCT Agreements; and
- (vii) the independent non-executive Directors will review the continuing connected transactions under the 2024 Hilong Energy CCT Agreements annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.

In assessing whether the above internal control measures are put in place and effectively implemented, as mentioned in the section headed "3. Principal terms of the 2024 Hilong Energy CCT Agreements" above, we have obtained and reviewed (i) a total of twelve Purchase Agreements entered between the Group and Hilong Pipeline Group and a total of six agreements or quotations obtained from Independent Third Party service providers; and (ii) three Supply Orders entered between the Group and Hilong Pipeline Group and three agreements for welding wires and related products entered into between the Group and Independent Third Party customers, and consider that the terms, including pricing basis of the Purchase Agreements and the Supply Agreements, are on normal commercial terms which are fair and reasonable. Having considered that the Group had been effectively implemented its internal control measures for the transactions conducted between the Group and Hilong Pipeline Group, we are of the view that the internal control measure for monitoring the transactions contemplated under the 2024 Hilong Energy CCT Agreements would be effectively implemented.

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Having considered the above, in particular (i) the ongoing monitoring of the transactions under the 2024 Hilong Energy CCT Agreements; and (ii) the requirements under the Listing Rules for the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the transactions under the 2024 Hilong Energy CCT Agreements and the annual caps thereunder, we concur with the Board that appropriate and adequate procedures are in place to ensure that the transactions contemplated under the 2024 Hilong Energy CCT Agreements will be appropriately monitored and conducted on commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Assessment of the proposed annual caps

(i) Review of the historical figures

The historical transaction amounts in relation to the coating services and hardbanding services provided by Hilong Pipeline Group to Hilong Energy Group, the existing annual cap and the actual amount for the period from 1 January 2024 to 31 January 2024 are set out in the table below:

	Historical transaction amount for the financial year ended 31 December 2021 <i>RMB'000</i>	Historical transaction amount for the financial year ended 31 December 2022 <i>RMB'000</i>	Historical transaction amount for the financial year ended 31 December 2023 <i>RMB'000</i>	Annual cap for the period from 1 January 2024 to 31 January 2024 <i>RMB'000</i>	Actual transaction amount for the period from 1 January 2024 to 31 January 2024 <i>RMB'000</i>
Fees incurred in relation to the coating services and hardbanding services provided by Hilong Pipeline to Hilong Energy	134,643	230,124	313,993	19,000	17,886

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The historical transaction amounts in relation to the supply of welding wires by Hilong Energy Group to Hilong Pipeline Group, the annual cap and the actual transaction amount for the period from 22 December 2023 to 31 December 2023 are set out in the table below:

	Historical transaction amount for the financial year ended 31 December 2021 RMB'000	Historical transaction amount for the financial year ended 31 December 2022 RMB'000	Historical transaction amount for the financial year ended 31 December 2023 RMB'000	Annual cap for the period from 22 December 2023 to 31 December 2023 RMB'000	Actual amount for the period from 22 December 2023 to 31 December 2023 RMB'000
Fees incurred in relation to the supply of welding wires by Hilong Energy Group to Hilong Pipeline Group	5,164	22,717	21,691	1,200	0

(ii) Assessment of the proposed annual caps

2024 Supplemental Coating Services and Hardbanding Services Agreement

The existing annual cap for the transaction amounts to be paid by Hilong Energy Group to Hilong Pipeline Group for the period from 1 January 2024 to 31 January 2024 is revised to cover the financial year ending 31 December 2024 under the 2024 Supplemental Coating Services and Hardbanding Services Agreement to RMB278,000,000.

In assessing the reasonableness of the proposed revised annual cap under the 2024 Supplemental Coating Services and Hardbanding Services Agreement, we have discussed with the management of the Group on the basis and assumption underlying the projections for the coating services and hardbanding services to be provided by the Hilong Pipeline Group. As advised by the management of the Group, in determining the proposed revised annual cap for the year ending 31 December 2024, they have taken into account, among others, (a) the historical transaction amounts; (b) the actual transaction amount for the period from 1 January 2024 to 31 January 2024; (c) the anticipated demand for coating services and hardbanding services required by Hilong Energy based on drill-pipe production plans of the Group for the financial year ending 31 December 2024 and the strategic drill-pipe projects with key clients of the Group; (d) the increased opportunities in drill-pipe related business arose from the consumption recovery of oil and gas products and the upstream exploration and production activities due to the

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end of COVID-19 restrictions; and (e) the implementation of the “2023-2025 Action Plan for Accelerating the integration of Oil and Gas Exploration and Development with New Energy” (加快油氣勘探開發與新能源融合發展行動方案 (2023-2025年)) which was launched and promoted by the National Energy Administration (國家能源局).

Based on our review of the calculation of the proposed revised annual cap, we noted that the revised annual cap for costing services and hardbanding services is expected to be at the level generally in line with the average of the actual transaction amount for the three years ended 31 December 2023, and representing 77.2% of the annualised actual transaction amount incurred for the period from 1 January 2024 to 31 January 2024 of approximately RMB214.6 million. As advised by the management of the Group, based on the drill-pipe production plans of the Group for the financial year ending 31 December 2024, the Group had placed orders with Hilong Pipeline Group for coating services and hardbanding services in the amount (inclusive of value added tax) of approximately RMB113.9 million and approximately RMB37.7 million, respectively. Excluding the value added tax, the order amounted to approximately RMB98.5 million and approximately RMB32.7 million, respectively, which in aggregate representing approximately 47.2% of the revised annual cap. In this respect, we have obtained the list of orders placed by the Group for coating services and hardbanding services in 2024 and randomly selected a total of six orders for each of the coating services and hardbanding services for review. In addition, the Group indicated that based on its drill-pipe production plans, the Group is expected to require additional coating services and hardbanding services in the amount (excluding value added tax) of approximately RMB145.6 million and RMB46.1 million, respectively, which in aggregate represented approximately 130.5% of the remaining amount of the revised annual cap. As advised by the management of the Group, with reference to the historical procurement practice, the Group generally procure majority of the coating services and hardbanding services from Hilong Pipeline rather than independent third party suppliers. Given the requirements of the Group and the historical procurement practice, we consider the Group is likely to require the remaining amount of the revised annual cap.

Having taken into account (i) the revised annual cap represented approximately 77.2% of the annualised actual transaction amount for January 2024; (ii) the Group had placed into orders with Hilong Pipeline Group which represented approximately 47.2% of the revised annual cap; and (iii) the expected demand of the Group on additional coating services and hardbanding services in 2024 are higher than the remaining amount of the revised annual cap, we consider the revised annual cap of RMB278,000,000 for the financial year ending 31 December 2024 under the 2024 Supplemental Coating Services and Hardbanding Services Agreement to be fair and reasonable.

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2024 Welding Wire Supply Agreement

The proposed annual cap for the transaction amounts to be paid by Hilong Pipeline Group to Hilong Energy Group in relation to the supply of welding wires under the 2024 Welding Wire Supply Agreement for the financial year ending 31 December 2024 is RMB19,060,000.

In assessing the reasonableness of the proposed annual cap under the 2024 Welding Wire Supply Agreement, we have discussed with the management of the Group on the basis and assumption underlying the supply of welding wires by Hilong Energy Group to Hilong Pipeline Group. As advised by the management of the Group, in determining the proposed annual cap for the year ending 31 December 2024, they have taken into account, among others, (i) the historical transaction amount in relation to the supply of welding wires by Hilong Energy Group to Hilong Pipeline Group; and (ii) Hilong Pipeline Group's demand for welding wires as communicated to the Group based on the existing projects obtained by Hilong Pipeline Group, which accounted for approximately 30% of the proposed annual cap.

As advised by the management of the Group, welding wire is the main raw material for Hilong Pipeline's hardbanding services. Taking into account (i) the expected transaction amount for hardbanding services supplied by Hilong Pipeline Group, among which orders of approximately RMB32.7 million had already been placed, is not expected to be materially deviated from the transaction amount of RMB69.1 million for FY2023; and (ii) the annual cap of RMB19,060,000 is slightly lower than the actual transaction amount of approximately RMB21.7 million for FY2023, we consider the expected transaction amount for the provision of welding wires by the Group to be reasonable. In addition, we noted that Hilong Pipeline Group had already placed the Supply Orders in the aggregate amount of approximately RMB6.6 million, representing approximately 34.5% of the annual cap. In this respect, we have obtained the list of orders placed by Hilong Pipeline Group for the provision of welding wires in 2024 and reviewed all five of these orders. Based on the above, we consider the annual cap of the 2024 Welding Wire Supply Agreement to be fair and reasonable.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the 2024 Hilong Energy CCT Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the 2024 Hilong Energy CCT Agreements (including the proposed annual caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM to approve the 2024 Hilong Energy CCT Agreements (including the proposed annual caps) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

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 Group. 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**(A) DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at the Latest Practicable Date, save as disclosed below, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules ("**Model Code**"):

(a) Long positions in the Shares of the Company

Name of Director	Capacity	Number of Shares interested	Approximate percentage in the issued share capital of the Company
Mr. Zhang Jun	Founder and beneficiary of Mr. Zhang's trust/Interest of controlled corporation	713,661,000 ⁽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>	
		827,221,800	48.762%
Ms. Zhang Shuman	Interest of controlled corporation	24,300,000 ⁽³⁾	
	Beneficial owner	<u>692,000</u>	
		24,992,000	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 associated corporation of the Company

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**(B) SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS
IN THE SECURITIES OF THE COMPANY**

So far as is known to the Directors or chief executive of the Company, as at 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 substantial shareholder	Capacity	Number of Shares/underlying shares interested	Approximate percentage of the issued share capital of the Company
Hilong Group Limited	Beneficial owner	713,661,000 ⁽¹⁾	42.07%
SCTS Capital Pte. Ltd.	Nominee	847,338,800 ⁽¹⁾⁽²⁾	49.95%
Standard Chartered Trust (Singapore) Limited	Trustee	847,338,800 ⁽¹⁾⁽²⁾	49.95%
Ms. Gao Xia	Interest of spouse	827,221,800 ⁽³⁾	48.76%

Notes:

- (1) 713,661,000 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, as at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, 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.

3. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective close associates had any business which competes or may compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, save as disclosed in this circular, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any asset which has been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

- (A) The Group (as lessee) has entered into tenancy agreements with Shanghai Longshi Investment Management Company Limited (上海隆視投資管理有限公司) (as lessor) for premises on 1 August 2023;
- (B) The Group (as lessee) has entered into tenancy agreements with Beijing Huashi Hailong Oil Investment Co., Ltd.* (北京華實海隆石油投資有限公司) (as lessor) for premises, and a tenancy agreement and an equipment lease agreement with Technomash LLC (as lessor), respectively, on 5 January 2024; and
- (C) The Group (as lessor) has entered into tenancy agreements with Hilong Shine New Material, Hilong Pipeline and Shenglong Oil and Gas Pipeline Inspection Technology Co., Ltd. (盛隆石油管檢測技術有限公司) (as lessees), respectively, for premises on 5 January 2024.

The counterparties of such agreements are associates of Mr. Zhang. Save as disclosed above, as at the Latest Practicable Date, there were no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her connected entities had a material interest, whether directly or indirectly.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

8. MATERIAL CONTRACTS

The following contract (not being contracts entered into in the ordinary course of business) had been entered into by members of the Group within the two years immediately prior to the Latest Practicable Date and which are, or may be, material to the Group:

- (1) the equity transfer agreement dated 31 March 2023 entered into between Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司), as vendor, and Shanghai Hilong Shine New Material Co., Ltd.* (上海海隆賽能新材料有限公司), as purchaser, in relation to the disposal of the 100% equity interest in Hilong Pipeline Engineering Technology Service Co., Ltd.* (海隆管道工程技術服務有限公司) by Hilong Group of Companies Ltd.; and
- (2) the equity transfer agreement dated 3 April 2023 entered into among Hilong Group of Companies Ltd.* (海隆石油工業集團有限公司), Shanghai Jintang Industry Co., Ltd.* (上海金鏜實業有限公司) and Shanghai Hilong Special Steel Pipe Co., Ltd.* (上海海隆特種鋼管有限公司) in relation to the disposal of the 30% equity interest in Shanghai Hilong Special Steel Pipe Co., Ltd.* (上海海隆特種鋼管有限公司) by Hilong Group of Companies Ltd..

9. EXPERTS

The following is the qualification of the expert who has given its opinions or advice which are included in this circular:

Name	Qualifications
Rainbow Capital (HK) Limited	a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, Rainbow Capital (HK) Limited:

- (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report (as the case may be) and references to its names, in the form and context in which they respectively appear;
- (ii) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (iii) did not have any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The letters and/or report (as the case may be) from the above expert is given as of the date of this circular for incorporation herein.

10. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was involved in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

11. 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 specializing in integrated business, corporate and investor services. The company secretary attended sufficient professional training as required under the Listing Rules for the year ended 31 December 2022 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 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
- (d) The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hilonggroup.com) for the period of 14 days commencing from the date of this circular:

- (a) the Coating Services and Hardbanding Services Agreement;
- (b) the 2024 Supplemental Coating Services and Hardbanding Services Agreement;
- (c) the 2024 Welding Wire Supply Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (f) the written consent of the expert referred to in the section headed "9. Experts" in this appendix; and
- (g) this circular.



Hilong Holding Limited
海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1623)

NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2024 first extraordinary general meeting (the “**EGM**”) of the shareholders of Hilong Holding Limited (the “**Company**”) will be held at Conference Room, 6th Floor, Hilong Group of Companies Ltd., No.1825 Luodong Road, Baoshan Industrial Zone, Shanghai, China, on Thursday, 21 March 2024 at 10:00 a.m. for the considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**
 - (a) the coating services and hardbanding services agreement dated 22 December 2023 and the supplemental agreement dated 27 February 2024 referred to in the sub-section headed “2. (A) The Coating Services and Hardbanding Services Agreement and the 2024 Supplemental Coating Services and Hardbanding Services Agreement” in the “Letter from the Board” contained in the circular dated 4 March 2024 (the “**Circular**”) of the Company of which this notice forms part and the transactions contemplated thereunder and the proposed revised annual cap, be and are hereby approved, confirmed and ratified; and
 - (b) any one or more directors of the Company be and is/are hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as he/she/they consider, necessary or expedient or desirable to implement and/or give effect to the above agreements and the transactions contemplated thereunder and the proposed revised annual cap, and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company.”

* For identification purpose only

NOTICE OF EGM

2. “THAT:

- (a) the renewed agreement dated 27 February 2024 referred to in the sub-section headed “2. (B) 2024 Welding Wire Supply Agreement” in the “Letter from the Board” contained in the Circular of which this notice forms part and the transactions contemplated thereunder and the proposed annual cap, be and are hereby approved, confirmed and ratified; and
- (b) any one or more directors of the Company be and is/are hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as he/she/they consider, necessary or expedient or desirable to implement and/or give effect to the above agreement and the transactions contemplated thereunder and the proposed annual cap, and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company.”

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

Hong Kong, 4 March 2024

Notes:

- (1) All resolutions at the EGM will be taken by poll pursuant to article 66 of the articles of association of the Company. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- (2) A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
- (3) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the EGM (i.e. not later than 10:00 a.m. on Tuesday, 19 March 2024 (Hong Kong time)) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM and at any adjournment thereof and, in such event, the form of proxy will be deemed to be revoked.

NOTICE OF EGM

- (4) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 18 March 2024 to Thursday, 21 March 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 March 2024.

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