

HISTORY AND REORGANIZATION

OVERVIEW

We are a leading PRC-based non-state owned integrated oilfield equipment and service provider with a focus on drill pipes, line pipe and OCTG coatings and oilfield services. The following table sets forth the key milestones in our history:

- 2001 ● established Huashi Hailong
- 2002 ● entered OCTG coating services business
- 2003 ● entered coating materials development and production business
- 2005 ● established Hilong Group
 - entered oil and gas line pipe coating service business
 - entered drill pipes manufacturing business
 - Huashi Hailong obtained the certification as a qualified supplier of CNPC and Sinopec
- 2006 ● obtained Fearnley Procter NS-1 certification for our coating services
- 2008 ● entered into oilfield services business
 - completed our corporate restructuring of Huashi Hailong
- 2010 ● UMW purchased our Series A preferred shares

OUR CORPORATE HISTORY

Our Company was incorporated as an exempt company under the laws of Cayman Islands on October 15, 2008. We trace our history back to Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd, or Huashi Hailong, and Hailong International (L) Ltd., or Hailong International, two investment holding companies Mr. Zhang, our founder and Controlling Shareholder, incorporated in January 2001 and May 2003, respectively. In addition to serving as an investment holding company, Huashi Hailong also engages in trading businesses. Mr. Zhang funded the incorporation of Huashi Hailong in 2001 through funds provided by his parents. We entered the coating business in 2002, the drill pipe manufacturing business in 2005, and the oilfield services business in 2008.

Early History (2001-2006)

Since its incorporation in January 2001, Huashi Hailong has been 100% beneficially owned by Mr. Zhang, our founder and Controlling Shareholder. From 2002 to 2005, through various investments, Huashi Hailong entered into OCTG coating services, coating materials development and production, line pipe coating services and hardbanding products and services businesses.

- *OCTG coating services.* In March 2002, Huashi Hailong began a OCTG coating service business by incorporating Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd., or Shanghai Tube-Cote, with two other minority shareholders. Huashi Hailong owned 74% of equity interest in Shanghai Tube-Cote upon its incorporation. In April 2004, Shanghai Tube-Cote introduced UMW Petropipe (L) Ltd. as its shareholder and as a result, our equity interest in Shanghai Tube-Cote was reduced to 51%. ⁽¹⁾ To

(1) Upon Shanghai Tube-Cote's incorporation in March 2002, the other shareholders of Shanghai Tube-Cote included ACE Tubular Technologies PTE Ltd. and Shanghai Baosheng Industrial Co., Ltd. 上海寶盛實業公司, each holding 25% and 1% of Shanghai Tube-Cote, respectively. In April 2002, Huashi Hailong acquired the 1% equity interest held by Shanghai Baosheng Industrial Co., Ltd., or Shanghai Baosheng, for RMB0.15 million, which represented the registered capital Shanghai Baosheng paid. The share transfer was conducted on an arm's length basis. In April 2004, Shanghai Tube-Cote restructured its capital structure. UMW Petropipe (L) Ltd. made a capital contribution of RMB10.4 million and as a result held 40% of the registered capital in Shanghai Tube-Cote. The consideration was determined based on the net asset value of Shanghai Tube-Cote at the time of capital contribution. As part of its shareholding restructuring, Huashi Hailong made an additional capital contribution of RMB2.01 million and ACE Tubular Technologies PTE Ltd., or ACE, reduced its investment in Shanghai Tube-Cote by RMB1.41 million. As a result, Shanghai Tube-Cote was held 51%, 40% and 9% by Huashi Hailong, UMW Petropipe (L) Ltd. and ACE, respectively. In January 2009, ACE transferred its 9% equity interest in Shanghai Tube-Cote to UMW Petropipe (L) Ltd., and our Group was not a party to this transaction. As a result of these transactions and our corporate restructuring of Huashi Hailong, Shanghai Tube-Cote was held 51% and 49% by Hilong Group and UMW Petropipe (L) Ltd., respectively. UMW Petropipe (L) Ltd. is also a shareholder of Jiangsu Tube-Cote and an affiliate of UMW China Ventures (L) Ltd., which became one of our shareholders in August 2010. Other than Shanghai Baosheng Industrial Co., Ltd.'s past shareholding in Shanghai Tube-Cote, it is an independent third party of the Group. Other than ACE's past shareholding in Shanghai Tube-Cote, Jiangsu Tube-Cote, Hilong Group and Shanghai Shine, it is an independent third party of the Group.

HISTORY AND REORGANIZATION

further expand our capacity to provide OCTG coating services, in April 2005, through Shanghai Tube-Cote, we made a 41% investment into Jiangsu Tube-Cote Shuguang Petroleum Pipe Coating Co., Ltd., or Jiangsu Tube-Cote. We purchased an additional 17.18% of equity interest in Jiangsu Tube-Cote through Hailong International from another shareholder at the time on an arm's length basis and started to hold a controlling interest in Jiangsu Tube-Cote in February 2008. ⁽²⁾ In September 2006, through Shanghai Tube-Cote, we made a 45% equity investment into Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd. and a 40% equity investment into CNOOC Tube-Cote Tianjin Pipe Co., Ltd., both engaging in OCTG coating service business.

- *Coating materials.* In November 2003, Huashi Hailong made a 25% investment into Shanghai Hilong Shine New Material Co., Ltd., or Shanghai Shine, a company engaging in development and production of coating materials, upon its incorporation. We purchased an additional 22% equity interest in Shanghai Shine through Huashi Hailong in August 2006 and an additional 25% equity interest through Hailong International in October 2006, in each case from other shareholders at the time on an arm's length basis. As a result of these transactions, we held 72% of equity interest in Shanghai Shine.⁽³⁾
- *Line pipe coating services.* In November 2005, Huashi Hailong began a line pipe coating service business by incorporating Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd., or Shanghai Anti-Corrosion, with four other minority shareholders. Huashi Hailong owned 63% of equity interest of Shanghai Anti-Corrosion upon its incorporation.⁽⁴⁾

(2) In April 2005, Shanghai Tube-Cote made investment into Jiangsu Tube-Cote by acquiring 41% of equity interest in Jiangsu Tube-Cote held by ACE for a total consideration of US\$1.3 million, which was determined based on the capital contribution and investments made by ACE. The share transfer was conducted on an arm's length basis. Concurrently with our investment into Jiangsu Tube-Cote, UMW Petropipe (L) Ltd. also acquired 3.6% of equity interest in Jiangsu Tube-Cote from ACE, and our Group was not a party to this transaction. After the capital contribution, Jiangsu Tube-Cote was held 41%, 33%, 22.4% and 3.6% by Shanghai Tube-Cote, Jiangsu Shuguang Group Co., Ltd. 江蘇曙光集團有限公司, ACE and UMW Petropipe (L) Ltd. In February, 2008, Hailong International acquired an additional 17.18% equity interest in Jiangsu Tube-Cote from ACE for RMB13.3 million. The consideration was determined based on parties' negotiations and the transaction was conducted on an arm's length basis. As a result, we held 41% and 17.18% in Jiangsu Tube-Cote through Shanghai Tube-Cote and Hailong International, respectively. Other than its shareholding in Jiangsu Tube-Cote, Jiangsu Shuguang Group Co., Ltd. is an independent third party of our Group.

(3) Upon Shanghai Shine's incorporation, it was held 50%, 25% and 25% by Huizhou Mingnuo Zaoqi Co., Ltd. (惠州明諾造漆有限公司), Huashi Hailong and ACE, respectively. In August 2006, Huizhou Mingnuo Zaoqi Co., Ltd., or Huizhou Mingnuo, transferred 22% and 28% of Shanghai Shine's equity interest to Huashi Hailong and Shaanxi Ante Petroleum Technology Engineering Co., Ltd. (陝西安特石油技術工程有限公司) for RMB0.8 million and RMB1.0 million, respectively. The considerations for the transfer were determined based on the net asset value of Shanghai Shine at the time of transfer and the share transfers were conducted on an arm's length basis. In October 2006, Hailong International acquired the 25% equity interest in Shanghai Shine held by ACE for a consideration of RMB0.5 million, which was determined based on parties' negotiation and the share transfer was conducted on an arm's length basis. As a result, we held 47% and 25% in Shanghai Shine through Huashi Hailong and Hailong International, respectively. Shaanxi Ante Petroleum Technology Engineering Co. Ltd. is a company owned by Junfeng Fang and his spouse, and Junfeng Fang is one of our directors and senior management team. Other than its past Shareholding in Shanghai Shine, Huizhou Mingnuo Zaoqi Co., Ltd. is an independent third party of our Group.

(4) The other then minority shareholders of Shanghai Anti-Corrosion were Shaanxi Ante Petroleum Technology Engineering Co., Ltd., Pengbin Yuan, Min Zhao and Jinbo Chen, each holding 22%, 5%, 5% and 5%, respectively, of equity interest in Shanghai Anti-Corrosion. In July 2007, we transferred 3% of equity interest in Shanghai Anti-Corrosion to Yizhuang Liu for RMB0.15 million, which was determined based on our investment in the registered capital of Shanghai Anti-Corrosion. The share transfer was conducted on an arm's length basis. As a result, our shareholding in Shanghai Anti-Corrosion reduced to 60%, with Shaanxi Ante Petroleum Technology Engineering Co., Ltd., Pengbin Yuan, Min Zhao, Jinbo Chen and Yizhuang Liu each holding 22%, 5%, 5%, 5% and 3%, respectively, of Shanghai Anti-Corrosion. Pengbin Yuan, Yizhuang Liu are members of our directors and senior management team. Min Zhao and Jinbo Chen are employees of our Group.

HISTORY AND REORGANIZATION

- *Hardbanding.* In December 2005, Huashi Hailong began a hardbanding business by incorporating Shanghai Boteng Welding Consumables Co., Ltd., or Shanghai Boteng, with five other minority shareholders. Huashi Hailong owned 63% of Shanghai Boteng upon its incorporation. Huashi Hailong sold 28% equity interest in Shanghai Boteng in June 2006 and, as a result, became a 35% shareholder of Shanghai Boteng thereafter. We became the controlling shareholder of Shanghai Boteng in March 2008 by Hilong Group's acquisition of additional equity interest from the other shareholders on an arm's length basis.⁽⁵⁾

In January 2005, to develop our drill pipe manufacturing business, we incorporated Hilong Group of Companies Ltd., or Hilong Group, through Huashi Hailong. Hilong Group was initially established by Huashi Hailong as a joint venture with ACE Tubular Technologies PTE Ltd., or ACE, a company incorporated in Singapore, with Huashi Hailong and ACE holding 75% and 25%, respectively, of its equity interest. In 2006, before ACE's making of capital contribution into Hilong Group as required by PRC law, ACE proposed to transfer its equity interest in Hilong Group to us. As a result of parties' negotiations, in August 2006, ACE transferred its 25% equity interest in Hilong Group to Hailong International for nil consideration as ACE had not made any capital contribution at the time of transfer.

Following the establishment of Hilong Group, we began entering drill pipe manufacturing business through a series of investments:

- Hilong Drill Pipe (Wuxi) Co., Ltd., or Hilong Wuxi, was incorporated in August 2005 as a joint venture between Hailong International and two other shareholders. Hailong International held 40% of Hilong Wuxi's equity interest upon its incorporation. In October 2006, we acquired the controlling interest in Hilong Wuxi through a purchase, through Hilong Group, of the remaining 60% equity interest in Hilong Wuxi from its then shareholders on an arm's length basis.⁽⁶⁾

(5) The other then minority shareholders of Shanghai Boteng were Junfeng Fang, Yuhong Cao, Zhihai Gao, Min Zhao and Jinbo Chen, holding 10%, 8%, 10%, 5% and 4% of Shanghai Boteng, respectively. In June 2006, we transferred 28% of equity interest in Shanghai Boteng to Xi'an Nate Petroleum Technology Co., Ltd. (西安納特石油技術有限公司) for RMB0.84 million, which was determined based on Huashi Hailong's investment in the registered capital of Shanghai Boteng. The share transfer was conducted on an arm's length basis. In March 2007, Huashi Hailong transferred 3% of the equity interest in Shanghai Boteng to Baotian Zheng for a consideration of RMB90 thousand, which was determined based on Huashi Hailong's investment in the registered capital of Shanghai Boteng. The share transfer was conducted on an arm's length basis. Yuhong Cao and Junfeng Fang transferred their equity interest in Shanghai Boteng to Shaanxi Ante Petroleum Technology Engineering Co., Ltd. Our Group was not a party to these transactions. Huashi Hailong also transferred its remaining shareholding in Shanghai Boteng to Hilong Group as part of the corporate restructuring of Huashi Hailong. In August 2007, Hilong Group transferred 3% of equity interest in Shanghai Boteng to Hongming Han for a consideration of RMB90 thousand, which was determined based on Hilong Group's investment in the registered capital of Shanghai Boteng. The share transfer was conducted on an arm's length basis. In early 2008, Shanghai Boteng underwent a shareholding restructuring pursuant to which Xi'an Nate Petroleum Technology Co., Ltd. and Baotian Zheng ceased to be the shareholders of Shanghai Boteng. In particular, (i) in January 2008, Hilong Group acquired all the remaining equity interest held by the other shareholders; and (ii) in March 2008, Hilong Group transferred 18%, 15%, 6%, 4% and 3% equity interest in Shanghai Boteng to Shaanxi Ante Technology Engineering Co., Ltd., Zhihai Gao, Min Zhao, Jinbo Chen and Hongming Han. As part of the settlement plan of the shareholding restructuring, Hilong Group paid a consideration of RMB4.2 million for an additional 25% of equity interest in Shanghai Boteng held by Xi'an Nate Petroleum Technology Co., Ltd., which was determined based on parties' negotiations. The shareholding restructuring was conducted on an arm's length basis. As a result, Shanghai Boteng was held 54%, 18%, 15%, 6%, 4% and 3% by Hilong Group, Shaanxi Ante Technology Engineering Co., Ltd., Zhihai Gao, Min Zhao, Jinbo Chen and Hongming Han, respectively. Yuhong Cao and Zhihai Gao are members of our directors and senior management team. Hongming Han is an employee of our Group. Baotian Zheng is a former employee of our Group and resigned in 2008. Other than its past shareholding in Shanghai Boteng, Xi'an Nate Petroleum Technology Co., Ltd., is an independent third party of our Group.

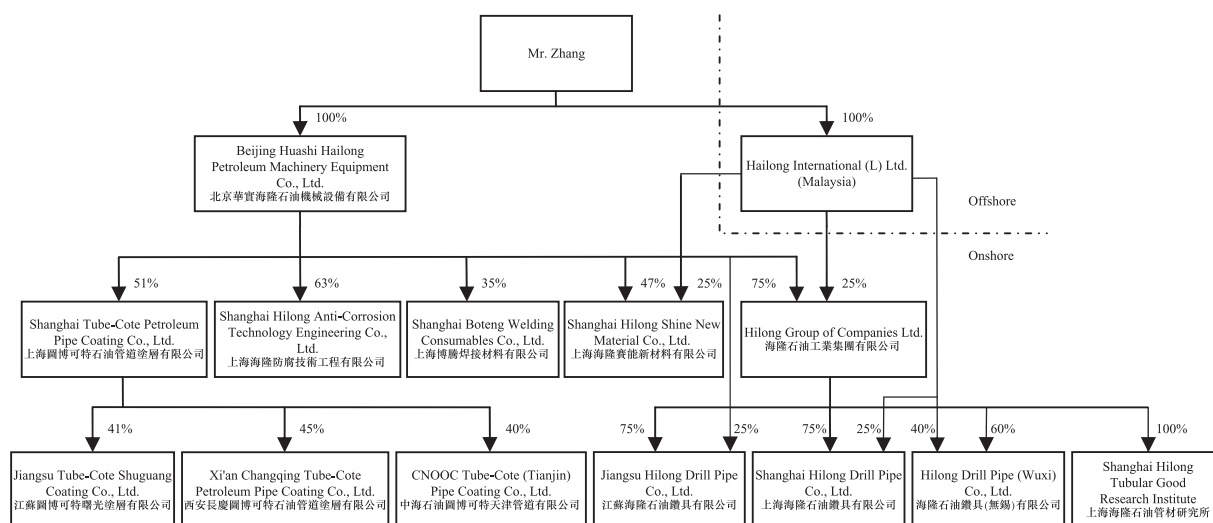
(6) Upon incorporation, Hilong Wuxi's then other shareholders included Wuxi Seamless Steel Tube Co., Ltd. (無錫西姆萊斯石油專用管製造有限公司) and Wuxi Deqiang Investment Co., Ltd. (無錫德強創業投資有限公司), each holding 51% and 9% respectively, of Hilong Wuxi. In January 2006, Wuxi Deqiang Investment Co., Ltd. transferred its 9% equity interest in Hilong Wuxi to Wuxi Weld Technology Co., Ltd. (無錫威爾德科技有限公司). Our Group was not a party to this transaction. In October 2006, Hilong Group acquired the remaining equity interest from Wuxi Seamless Steel Tube Co., Ltd. and Wuxi Weld Technology Co., Ltd. for considerations of US\$1.95 million and RMB1.8 million, respectively. The consideration for these transactions were determined based on the net asset value of Hilong Wuxi at the time of transfer and the transactions were conducted on an arm's length basis. Other than their past shareholding in Hilong Wuxi, Wuxi Seamless Steel Tube Co., Ltd., Wuxi Deqiang Investment Co., Ltd. and Wuxi Weld Technology Co., Ltd. are independent third parties of our Group.

HISTORY AND REORGANIZATION

- Shanghai Hilong Drill Pipe Co., Ltd., or Shanghai Drill Pipe, was incorporated in November 2006 as a joint venture between Hilong Group and Hailong International, each holding 75% and 25% of its equity interest, respectively.
- Jiangsu Hilong Drill Pipe Co., Ltd., or Jiangsu Drill Pipe, was incorporated in November 2006 as a joint venture between Hilong Group and Huashi Hailong, each holding 75% and 25% of its equity interest, respectively.

In October 2006, we also incorporated Shanghai Hilong Tubular Good Research Institute to develop products and technologies related to our drill pipe products.

The following diagram illustrates our corporate structure in November 2006, immediately prior to our corporate restructuring of Huashi Hailong:



Business Expansion and Huashi Hailong Restructuring (2006-2010)

Between November 2006 and April 2007, to streamline our corporate structure and business management, we underwent the first phase of corporate restructuring of Huashi Hailong pursuant to which Huashi Hailong transferred all of its investments in Shanghai Anti-Corrosion, Shanghai Boteng and Shanghai Shine to Hilong Group. As part of this corporate restructuring, existing shareholders made an additional contribution to Hilong Group and Hilong Group was held 65% by Hailong International and 35% by Huashi Hailong. We also made investments in drill pipe manufacturing and coating businesses during this period, and started our oilfield services business in 2008:

- *Drill pipe manufacturing.* We incorporated Shanxi Tangrong Hilong Drill Tools Co., Ltd., or Shanxi Tangrong, with two minority shareholders in January 2008. Upon incorporation, Shanxi Tangrong was 26% owned by Hilong Group and 25% owned by Hailong International. Shanxi Tangrong engages in manufacturing of drill pipes and drill collars.⁽⁷⁾
- *Coating business.* We made a 45% investment through Hailong International into Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd., or Shengli Tube-Cote, in February 2007. Shengli

(7) Upon incorporation, Shanxi Tangrong's other shareholders included Shanxi Tangrong Automobile Component Manufacturing Group Co., Ltd. (山西湯榮汽車配件製造集團有限公司) and Shanxi Fenglei Machinery Manufacturing Co., Ltd. (山西風雷機械製造有限公司), each holding 29% and 20%, respectively, of Shanxi Tangrong. In December 2008, Shanxi Fenglei Machinery Manufacturing Co., Ltd. transferred its equity interest in Shanxi Tangrong to Shichuang Zhongheng (Beijing) Trading Co., Ltd. (世創眾衡(北京)貿易有限公司). Our Group was not a party to this transaction. Other than Shanxi Tangrong Automobile Component Manufacturing Group Co., Ltd.'s investments in Shanxi Tangrong and Tangrong Tube-Cote, it is an independent third party of the Group. Other than their shareholdings in Shanxi Tangrong, Shanxi Fenglei Machinery Manufacturing Co., Ltd. and Shichuang Zhongheng (Beijing) Trading Co., Ltd. are independent third parties of our Group.

HISTORY AND REORGANIZATION

Tube-Cote engages in OCTG coating services business.⁽⁸⁾ In addition, we incorporated Tangrong Tube-Cote Petroleum Pipe Coating (Shanxi) Co., Ltd., or Tangrong Tube-Cote, with two minority shareholders in January 2008. Upon incorporation, Tangrong Tube-Cote was 40% and 25% owned by Shanghai Tube-Cote and Hailong International, respectively. Tangrong Tube-Cote engages in OCTG coating service business.⁽⁹⁾

- *Oilfield services.* We incorporated Hilong Oil Service and Engineering Co., Ltd., or Hilong Service, with Mr. Zhang in July 2008, with Mr. Zhang holding 5% of its equity interest and us holding the remaining 95% equity interest in Hilong Service. Hilong Service engages in provision of oilfield services business.
- *Steel pipe manufacturing.* Reflecting our efforts to secure the supply of quality special steel pipes for our drill pipe production, we made a 41% investment into Nantong Hilong Steel Pipe Co., Ltd., or Nantong Steel, in April 2007. Nantong Steel engages in special steel pipes manufacturing business.⁽¹⁰⁾

In November 2006, we entered the United Arab Emirates market by incorporating Almansoori Hilong Petroleum Pipe Company, or Almansoori Hilong. Upon its incorporation, we held and continued to hold a 49% equity interest. Almansoori Hilong engages in provision of coating services and manufacturing of drill pipes.⁽¹¹⁾

In October and November 2008, we completed the second phase of our corporate restructuring of Huashi Hailong whereby Huashi Hailong transferred (i) its equity interest in Hilong Group to Hailong International, and (ii) all of its equity interests in Shanghai Tube-Cote and Jiangsu Drill Pipe to Hilong Group. Mr. Zhang also established a series of offshore holding entities during such period. Our Company was incorporated as an exempt company under the laws of Cayman Islands on October 15, 2008. Huashi Hailong also transferred the qualification certificates for the supply of drill pipes, hardbanding materials, coating materials and other related products to CNPC and Sinopec to us for nil consideration in 2008.

Our oilfield services business experienced significant growth during the period. Our subsidiary in Kazakhstan, namely Hilong Petroleum Technology & Engineering Co., Ltd, or Hilong Kazakhstan, commenced commercial operation and began generating revenue through the provision of oilfield services in 2009. Our subsidiary in Ecuador, namely Hilong Oil Service & Engineering Ecuador CIA, Ltda, or Hilong Ecuador, commenced commercial operation and began generating revenue through the provision of oilfield services in 2009. See “Business—Our Products and Services—Oilfield Services” for more details on our oilfield services operations.

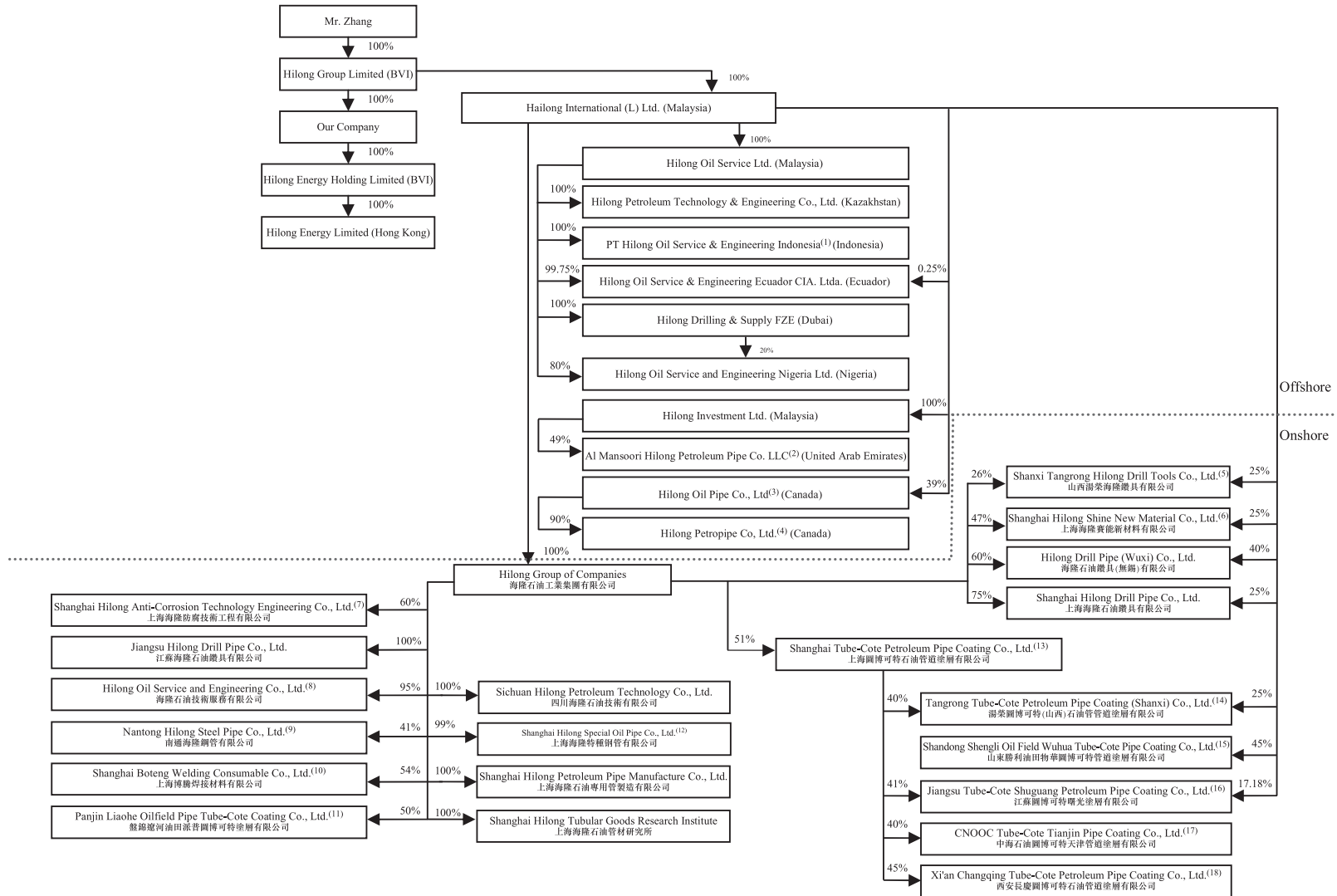
(8) The other shareholder of Shengli Tube-Cote is Shengli Oilfield Wuhua Industrial Development Co., Ltd. (勝利油田物華實業發展有限公司). Other than its shareholding in Shengli Tube-Cote, Shengli Oilfield Wuhua Industrial Development Co., Ltd. is an independent third party of our Group.

(9) The other shareholders of Tangrong Tube-Cote include Shanxi Tangrong Automobile Component Manufacturing Group Co., Ltd. (山西湯榮汽車配件製造集團有限公司) and Houma City Longwei Venture Capital Co., Ltd. (侯馬市龍威風險投資有限公司), each owning 25% and 10%, respectively, of Tangrong Tube-Cote. Other than its shareholding in Tangrong Tube-Cote, Houma City Longwei Venture Capital Co., Ltd. is an independent third party of our Group.

(10) The other shareholders of Nantong Steel include Zhongxing Energy Equipment Co., Ltd. (中興能源裝備股份有限公司) and Shaanxi Ante Petroleum Technology Engineering Co., Ltd. (陝西安特石油技術工程有限公司), each holding 49% and 10% of Nantong Steel. Other than its shareholding in Nantong Steel, Zhongxing Energy Equipment Co., Ltd. is an independent third party of our Group.

(11) Upon incorporation, Almansoori Specialized Engineering LLC holds a 51% equity interest in Almansoori Hilong. Almansoori Specialized Engineering LLC is a regional oilfield service provider and oil and gas industry equipment producer in the Middle East. Other than its shareholding in Almansoori Hilong, Almansoori Specialized Engineering LLC is an independent third party of our Group.

The following diagram illustrates our corporate structure in June 2010, after the completion of our corporate restructuring of Huashi Hailong and Mr. Zhang's establishment of offshore holding entities.



HISTORY AND REORGANIZATION

- (1) Mrs. Anizar Djalil, an independent third party, holds a 5% equity interest in PT Hilong Oil Service & Engineering Indonesia as a nominee shareholder for the benefit of Hilong Oil Service Ltd.
- (2) Almansoori Specialized Engineering LLC holds 51% equity interest in Almansoori Hilong Petroleum Pipe Company.
- (3) Mr. Zhang, Ms. Zhang Shuman and Ms. Gao Xia each holds a 41%, 8% and 12% equity interest in Hilong Oil Pipe Co., Ltd. Ms. Gao Xia is the spouse of Mr. Zhang.
- (4) Ms. Gao Xia holds a 10% equity interest in Hilong Petropipe Co., Ltd.
- (5) Shanxi Tangrong Automobile Component Manufacturing Group Co., Ltd. (山西湯榮汽車配件製造集團有限公司) and Shichuang Zhongheng (Beijing) Trading Co., Ltd. (世創眾衡(北京)貿易有限公司) each holds a 29% and a 20% equity interest in Shanxi Tangrong Hilong Drill Tools Co., Ltd., (山西湯榮海隆鑽具有限公司) respectively.
- (6) Shaanxi Ante Technology Engineering Co., Ltd. (陝西安特石油技術工程有限公司) holds a 28% equity interest in Shanghai Hilong Shine New Material Co., Ltd. (上海海隆賽能新材料有限公司)
- (7) Shaanxi Ante Technology Engineering Co., Ltd. (陝西安特石油技術工程有限公司) holds a 22% equity interest in Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd. (上海海隆防腐技術工程有限公司) The remaining a 18% equity interest are held by four individuals, their respective interest in Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd. (上海海隆防腐技術工程有限公司) are as follows: Yuan Pengbin (袁鵬斌) (5%), Zhao Min (趙敏) (5%), Chen Jinbo (陳錦波) (5%) and Liu Yizhuang (劉義壯) (3%).
- (8) Mr. Zhang holds a 5% equity interest in Hilong Oil Service and Engineering Co., Ltd. (海隆石油技術服務有限公司)
- (9) Zhongxing Energy Equipment Co., Ltd. (中興能源裝備股份有限公司) and Shaanxi Ante Technology Engineering Co., Ltd. (陝西安特技術工程有限公司) each hold a 49% and 10% equity interest in Nantong Hilong Steel Pipe Co., Ltd. (南通海隆鋼管有限公司)
- (10) Shaanxi Ante Technology Engineering Co., Ltd. (陝西安特石油技術工程有限公司) holds 18% equity interest in Shanghai Boteng Welding Consumable Co., Ltd. (上海博騰焊接材料有限公司) The remaining 28% equity interest are held by four individuals, their respective interest in Shanghai Boteng Welding Consumable Co., Ltd. (上海博騰焊接材料有限公司) are as follows: Gao Zhihai (高智海) (15%), Zhao Min (趙敏) (6%), Chen Jinbo (陳錦波) (4%) and Han Hongming (韓紅明) (3%).
- (11) Panjin Liaohe Oilfield Pipe & Drilling Tools Manufacturing Co., Ltd. (盤錦遼河油田派普鑽具製造有限公司) holds a 50% equity interest in Panjin Liaohe Oilfield Pipe Tube-Cote Coating Co., Ltd. (盤錦遼河油田派普圖博可特塗層有限公司). Other than its shareholding in Panjin Liaohe Oilfield Pipe Tube-Cote Coating Co., Ltd., Panjin Liaohe Oilfield Pipe & Drilling Tools Manufacturing Co., Ltd. is an independent third party of our Group.
- (12) Mr. Zhang holds a 1% equity interest in Shanghai Hilong Special Oil Pipe Co., Ltd. (上海海隆特種鋼管有限公司)
- (13) UMW Petropipe (L) Ltd. holds a 49% equity interest in Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd. (上海圖博可特石油管道塗層有限公司) Shanghai Baosheng Industrial Co., Ltd. (上海寶盛實業公司) contributed land use right of a parcel of land with a gross floor area of 50 mu as cooperative condition in consideration for a fix annual payment of RMB80,000.
- (14) Houma City Longwei Venture Capital Co., Ltd. (侯馬市龍威風險投資有限公司) and Shanxi Tangrong Automobile Component Manufacturing Co., Ltd. (山西湯榮汽車配件製造有限公司) each holds a 10% and 25% equity interest in Tangrong Tube-Cote Petroleum Pipe Coating (Shanxi) Co., Ltd., (湯榮圖博可特(山西)石油管道塗層有限公司) respectively.
- (15) Shengli Oilfield Wuhua Industrial Development Co., Ltd. (勝利油田物華實業發展有限公司) holds 55% equity interest in Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd. (山東勝利油田物華圖博可特管道塗層有限公司)
- (16) UMW Petropipe (L) Ltd. and Jiangsu Shuguang Group Co., Ltd. (江蘇曙光集團有限公司) each holds a 8.04% and 33.78% equity interest in Jiangsu Tube-Cote Shuguang Petroleum Pipe Coating Co., Ltd., (江蘇圖博可特曙光塗層有限公司) respectively.
- (17) CNOOC Energy Development Co., Ltd. (中海油能源發展股份有限公司) holds a 60% equity interest in CNOOC Tube-Cote Tianjin Pipe Co., Ltd. (中海石油圖博可特天津管道有限公司). Other than its shareholding in CNOOC Tube-Cote Tianjin Pipe Co., Ltd., CNOOC Energy Development Co., Ltd. is an independent third party of our Group.
- (18) Qingyang Changqing Juli Industrial Co., Ltd. (慶陽長慶巨力實業有限公司) holds 55% equity interest in Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd. (西安長慶圖博可特石油管道塗層有限公司). Other than its shareholding in Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd., Qingyang Changqing Juli Industrial Co., Ltd. is an independent third party of our Group.

UMW INVESTMENT

On August 23, 2010, we entered into an agreement for the sale of 46,700 of our Series A preferred shares, par value of HK\$0.10 per share, to UMW China Ventures (L) Ltd. for a consideration of approximately RMB167.9 million. The consideration for this transaction was paid on August 26, 2010. We applied the net proceeds from UMW's investment towards a combination of (i) consideration payments to Hailong International for various businesses transferred to us as part of our reorganization in contemplation of the Global Offering; and (ii) purchases of equipment as part of our expansion. The price per share paid by UMW on an as-converted fully-diluted basis represents a 4% discount to our assumed Offer Price of HK\$3.70 per Share, or the high end of the Offer Price range.

As part of UMW's investment in us, we granted certain customary minority protection rights to UMW, including corporate governance rights such as the right to appoint a non-executive director to our board, information rights, anti-dilution rights, pre-emptive and tag-along rights. We also granted redemption rights to UMW, pursuant to which, upon the occurrence of certain events such as the Global Offering having not occurred by June 30, 2011, UMW has the right to request us to redeem its equity interest in us for a consideration of RMB167.9 million plus interest of 20% per annum. Mr. Zhang and Hilong Group Limited granted a put option to

HISTORY AND REORGANIZATION

UMW, pursuant to which UMW may sell its equity interest in us to Mr. Zhang and/or Hilong Group Limited if we fail to redeem such equity interest. These protection rights will terminate upon the completion of the Global Offering.

In addition, we agreed with UMW that we will not offer more than 25% of our share capital in the Global Offering and the shareholding held by UMW will not be diluted to less than 3.5% of our share capital immediately after the Global Offering. We also agreed to pledge certain of our assets in favor of UMW, including our drill rigs and other oilfield services related machineries and assets. In January 2011, all Series A preferred shares held by UMW were converted into our ordinary shares on a one-to-one basis and all the pledges were released upon such conversion. Upon the completion of such conversion, UMW held 4.67% of our total issued and outstanding share capital. As part of the Global Offering, UMW has agreed to certain lock-up arrangement with respect to our ordinary shares held by it. See “Underwriting.”

In addition, we and UMW consider UMW’s investment in us to be a strategic investment. As such, as part of UMW’s investment, we and UMW agreed to actively explore opportunities to collaborate in oilfield services and coating services in the overseas markets. Currently, we and UMW collaborate to develop a trading business of drilling rigs and other oilfield equipment. We also sell oil and gas line pipe coating materials to companies invested by UMW.

UMW China Ventures (L) Ltd. is an investment company incorporated in Malaysia and is beneficially owned by UMW Holding Berhad, or UMW, a public company listed on the Bursa Malaysia Securities Berhad. UMW is a leading industrial enterprise with diverse and global interests in the automotive, equipment, manufacturing and engineering, and oil and gas industries. UMW has expanded beyond Malaysia, and currently has international presence in Singapore, Indonesia, Thailand, Myanmar, Vietnam, Papua New Guinea, Australia, Taiwan, China, India, Oman and Turkmenistan. According to UMW’s 2009 annual report, in 2009, UMW had a total revenue of RM10.7 billion (RMB23.0 billion), a profit before taxation of RM846 million (RMB1.8 billion), and a profit attributable to equity holders of the company of RM382 million (RMB822 million). As of December 31, 2009, UMW had total assets of RM8.8 billion (RMB18.9 billion).

UMW’s oil and gas division was established in 2002 to access the significant potential of this industry. UMW’s entry into the oil and gas sector has been through a broad portfolio of greenfield investments and acquisitions. It seeks to enter into strategic business alliances and expand aggressively to facilitate its development into a recognized participant in the Malaysian oil and gas industry. UMW’s oil and gas division is operated through five main businesses: manufacture of OCTG and line pipes; oil and gas exploration operations; fabrication of oil and gas structures; provision of oilfield services; and supply of oilfield products.

In addition to its investments in our Group, UMW also has a Malaysia subsidiary with investments in spiral steel pipe manufacturing businesses, of which Hailong International as a minority shareholder. During the Track Record Period, we did not have any transaction with the subsidiary. UMW does not have other material business relationship with Hailong International.

OUR REORGANIZATION

Since July 2010, for the purpose of further streamlining our onshore and offshore corporate structure in contemplation of the Global Offering, we underwent a Reorganization. As a result, Hailong International transferred to us, among other things, (i) the 100% equity interest in Hilong Group; (ii) all its equity interest in Shanghai Drill Pipe, Shanghai Shine, Shengli Tube-Cote, Shanxi Tangrong, Tangrong Tube-Cote, Hilong Wuxi, Jiangsu Tube-Cote; (iii) all its equity interest in Hilong Oil Service Ltd. and Hilong Investment Ltd., two subsidiaries incorporated in Malaysia to hold our equity interests in overseas operating subsidiaries and jointly-controlled entities; and (iv) all its equity interest in Hilong Petropipe Co., Ltd., a Canadian subsidiary engaging in oil and gas equipment trading business. As part of our Reorganization, we also acquired certain non-controlling interest and disposed certain equity interests in our group entities. In particular, these transactions included:

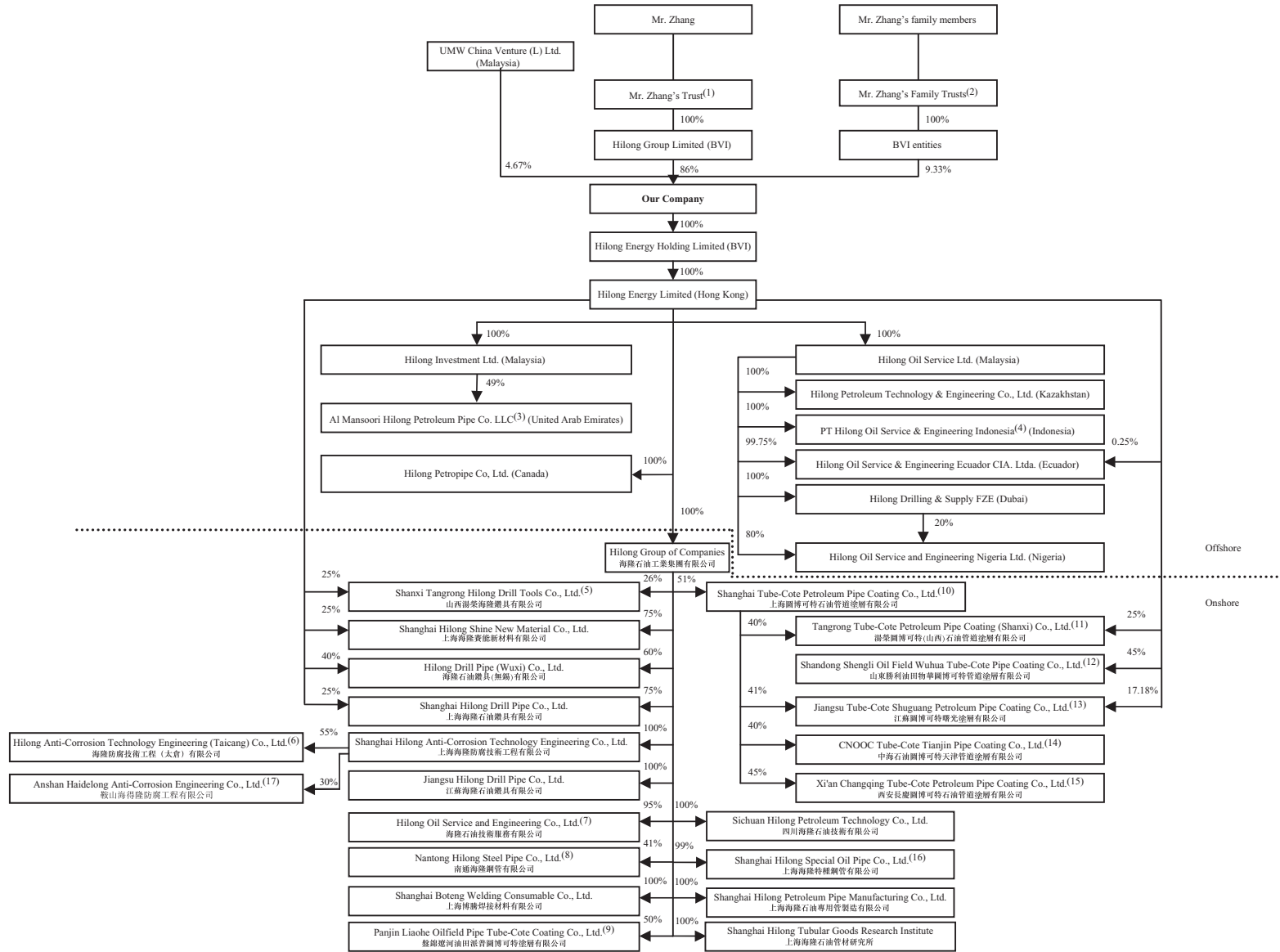
- *Acquisition of non-controlling interest in Hilong Petropipe Co., Ltd.* In February 2011, we acquired 10% of the equity interest in Hilong Petropipe Co., Ltd., or Hilong Petropipe, from Ms. Gao Xia,

HISTORY AND REORGANIZATION

Mr. Zhang's spouse, for a consideration of US\$0.2 thousand. The consideration was determined based on Ms. Gao's capital investment in Hilong Petropipe, and the transaction was conducted on an arm's length basis.

- *Acquisition of non-controlling interest in Shanghai Boteng.* In February 2011, we acquired 18%, 15%, 6%, 4% and 3% of the equity interest in Shanghai Boteng from Shaanxi Ante Technology Engineering Co., Ltd., Zhihai Gao, Min Zhao, Jinbo Chen and Hongming Han for considerations of approximately RMB10.5 million, RMB8.7 million, RMB4.2 million, RMB2.8 million and RMB3.1 million, respectively. The considerations were determined based on each party's negotiation with us and the transactions were conducted on an arm's length basis.
- *Acquisition of non-controlling interest in Shanghai Shine.* On March 2, 2011, we acquired 28% of the equity interest in Shanghai Shine from Shaanxi Ante Technology Engineering Co., Ltd. for a consideration of approximately RMB42.9 million. The consideration was determined based on parties' negotiation and the transaction was conducted on an arm's length basis.
- *Acquisition of non-controlling interest in Shanghai Anti-Corrosion.* In February 2011, we acquired 22%, 5%, 5%, 5% and 3% of the equity interest in Shanghai Anti-Corrosion from Shaanxi Ante Technology Engineering Co., Ltd., Pengbin Yuan, Min Zhao, Jinbo Chen and Yizhuang Liu, for considerations of approximately RMB19.1 million, RMB4.5 million, RMB4.9 million, RMB4.9 million and RMB2.9 million, respectively. The considerations were determined based on each party's negotiation with us and the transactions were conducted on an arm's length basis.
- *Disposal of Tianjin Shuanghai Petroleum Steel Pipe Co., Ltd.* In January 2011, we disposed 75% of equity interest in Tianjin Shuanghai Petroleum Steel Pipe Co., Ltd., or Tianjin Shuanghai, to Huashi Hailong, for a consideration of approximately RMB13.2 million. The consideration was determined based on our investment in the registered capital of Tianjin Shuanghai as Tianjin Shuanghai did not have any material operation at the time of disposal. The transaction was conducted on an arm's length basis.

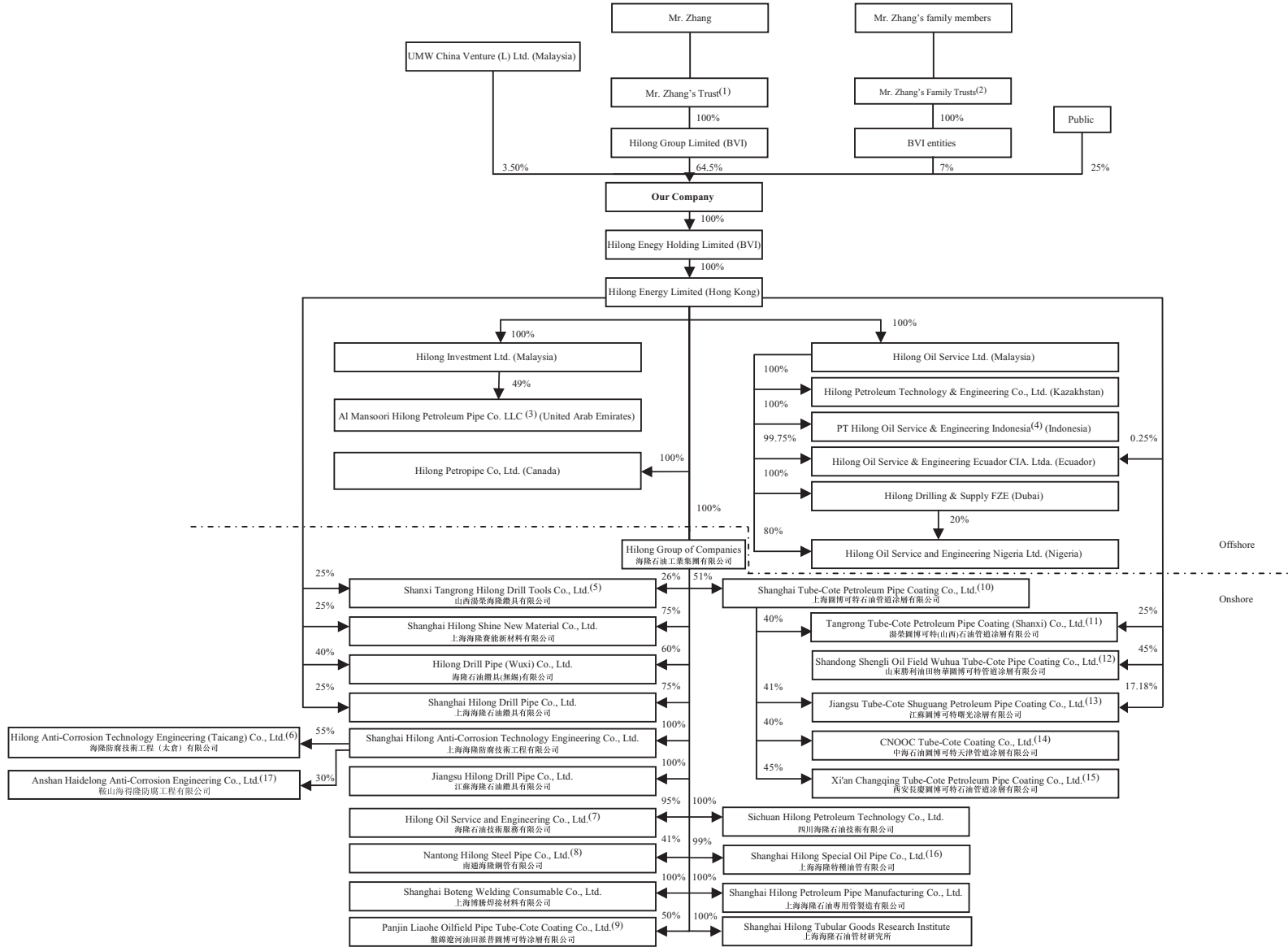
The following diagram illustrates our corporate structure immediately prior to the completion of the Global Offering:



HISTORY AND REORGANIZATION

- (1) In March 2011, Mr. Zhang, one of our Controlling Shareholders, entered into certain trust arrangements. See “Appendix VII—Statutory and General Information—G. Mr. Zhang’s Trust” for more information.
- (2) In March 2011, Mr. Zhang, one of our Controlling Shareholders, entered into certain trust arrangements. See “Appendix VII—Statutory and General Information—F. Mr. Zhang’s Family Trusts” for more information.
- (3) Almansoori Specialized Engineering LLC holds 51% equity interest in Almansoori Hilong Petroleum Pipe Co., LLC.
- (4) Mrs. Anizar Djalil, an independent third party, holds 5% equity interest in PT Hilong Oil Service & Engineering Indonesia as a nominee shareholder for the benefit of Hilong Oil Service Ltd.
- (5) Shanxi Tangrong Automobile Component Manufacturing Group Co., Ltd. (山西湯榮汽車配件製造集團有限公司) and Shichuang Zhongheng (Beijing) Trading Co., Ltd. (世創眾衡(北京)貿易有限公司) each holds 29% and 20% equity interest in Shanxi Tangrong Hilong Drill Tools Co., Ltd., (山西湯榮海隆鑽具有限公司) respectively.
- (6) Shanghai Jiafang Steel Pipe (Group) Co., Ltd. (上海佳方鋼管(集團)有限公司) holds 45% equity interest in Hilong Anti-Corrosion Technology Engineering (Taicang) Co., Ltd. (上海海隆防腐技術工程有限公司) Other than its shareholding in Hilong Anti-Corrosion Technology Engineering (Taicang) Co., Ltd., Shanghai Jiafang Steel Pipe (Group) Co., Ltd. is an independent third party of our Group.
- (7) Mr. Zhang holds 5% equity interest in Hilong Oil Service and Engineering Co., Ltd. (海隆石油技術服務有限公司)
- (8) Zhongxing Energy Equipment Co., Ltd. (中興能源裝備股份有限公司) and Shaanxi Ante Technology Engineering Co., Ltd. (陝西安特石油技術工程有限公司) each hold 49% and 10% equity interest in Nantong Hilong Steel Pipe Co., Ltd. (南通海隆鋼管有限公司)
- (9) Panjin Liaohe Oilfield Pipe & Drilling Tools Manufacturing Co., Ltd. (盤錦遼河油田派普鑽具製造有限公司) holds 50% equity interest in Panjin Liaohe Oilfield Pipe Tube-Cote Coating Co., Ltd. (盤錦遼河油田派普圖博可特塗層有限公司)
- (10) UMW Petropipe (L) Ltd. holds 49% equity interest in Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd. (上海圖博可特石油管道塗層有限公司) Shanghai Baosheng Industrial Co., Ltd. (上海寶盛實業公司) contributed land use right of a parcel of land with a gross floor area of 50 mu as cooperative condition in consideration for a fix annual payment of RMB80,000.
- (11) Houma City Longwei Venture Capital Co., Ltd. (侯馬市龍威風險投資有限公司) and Shanxi Tangrong Automobile Component Manufacturing Co., Ltd. (山西湯榮汽車配件製造有限公司) each holds 10% and 25% equity interest in Tangrong Tube-Cote Petroleum Pipe Coating (Shanxi) Co., Ltd., (湯榮圖博可特(山西)石油管道塗層有限公司) respectively.
- (12) Shengli Oilfield Wuhua Industrial Development Co., Ltd. (勝利油田物華實業發展有限公司) holds 55% equity interest in Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd. (山東勝利油田物華圖博可特管道塗層有限公司)
- (13) UMW Petropipe (L) Ltd. and Jiangsu Shuguang Group Co., Ltd. (江蘇曙光集團有限公司) each holds 8.04% and 33.78% equity interest in Jiangsu Tube-Cote Shuguang Petroleum pipe Coating Co., Ltd., (江蘇圖博可特曙光塗層有限公司) respectively.
- (14) CNOOC Energy Development Co., Ltd. (中海油能源發展股份有限公司) holds 60% equity interest in CNOOC Tube-Cote Tianjin Pipe Co., Ltd. (中海石油圖博可特天津管道有限公司).
- (15) Qingyang Changqing Juli Industrial Co., Ltd. (慶陽長慶巨力實業有限公司) holds 55% equity interest in Xi’an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd. (西安長慶圖博可特石油管道塗層有限公司).
- (16) Mr. Zhang holds 1% equity interest in Shanghai Hilong Special Oil Pipe Co., Ltd. (上海海隆特種鋼管有限公司).
- (17) Yang Zengzhou (楊增洲), an independent third party, holds 70% equity interest in Anshan Haidelong Anti-Corrosion Engineering Co., Ltd. (鞍山海得隆防腐工程有限公司).

The following diagram illustrates our corporate structure immediately upon the completion of the Global Offering:



HISTORY AND REORGANIZATION

- (1) In March 2011, Mr. Zhang, one of our Controlling Shareholders, entered into certain trust arrangements. See “Appendix VII—Statutory and General Information—G. Mr. Zhang’s Trust” for more information.
- (2) In March 2011, Mr. Zhang, one of our Controlling Shareholders, entered into certain trust arrangements. See “Appendix VII—Statutory and General Information—F. Mr. Zhang’s Family Trusts” for more information.
- (3) Almansoori Specialized Engineering LLC holds 51% equity interest in Almansoori Hilong Petroleum Pipe Co., LLC.
- (4) Mrs. Anizar Djalil, an independent third party, holds 5% equity interest in PT Hilong Oil Service & Engineering Indonesia as a nominee shareholder for the benefit of Hilong Oil Service Ltd..
- (5) Shanxi Tangrong Automobile Component Manufacturing Group Co., Ltd. (山西湯榮汽車配件製造集團有限公司) and Shichuang Zhongheng (Beijing) Trading Co., Ltd. (世創眾衡(北京)貿易有限公司) each holds 29% and 20% equity interest in Shanxi Tangrong Hilong Drill Tools Co., Ltd., (山西湯榮海隆鑽具有限公司) respectively.
- (6) Shanghai Jiafang Steel Pipe (Group) Co., Ltd. (上海佳方鋼管(集團)有限公司) holds 45% equity interest in Hilong Anti-Corrosion Technology Engineering (Taicang) Co., Ltd. (上海海隆防腐技術工程有限公司)
- (7) Mr. Zhang holds 5% equity interest in Hilong Oil Service and Engineering Co., Ltd. (海隆石油技術服務有限公司)
- (8) Zhongxing Energy Equipment Co., Ltd. (中興能源裝備股份有限公司) and Shaanxi Ante Technology Engineering Co., Ltd. (陝西安特石油技術工程有限公司) each hold 49% and 10% equity interest in Nantong Hilong Steel Pipe Co., Ltd. (南通海隆鋼管有限公司)
- (9) Panjin Liaohe Oilfield Pipe & Drilling Tools Manufacturing Co., Ltd. (盤錦遼河油田派普鑽具製造有限公司) holds 50% equity interest in Panjin Liaohe Oilfield Pipe Tube-Cote Coating Co., Ltd. (盤錦遼河油田派普圖博可特塗層有限公司)
- (10) UMW Petropipe (L) Ltd. holds 49% equity interest in Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd. (上海圖博可特石油管道塗層有限公司) Shanghai Baosheng Industrial Co., Ltd. (上海寶盛實業公司) contributed land use right of a parcel of land with a gross floor area of 50 mu as cooperative condition in consideration for a fix annual payment of RMB80,000.
- (11) Houma City Longwei Venture Capital Co., Ltd. (侯馬市龍威風險投資有限公司) and Shanxi Tangrong Automobile Component Manufacturing Co., Ltd. (山西湯榮汽車配件製造有限公司) each holds 10% and 25% equity interest in Tangrong Tube-Cote Petroleum Pipe Coating (Shanxi) Co., Ltd., (湯榮圖博可特(山西)石油管道塗層有限公司) respectively.
- (12) Shengli Oilfield Wuhua Industrial Development Co., Ltd. (勝利油田物華實業發展有限公司) holds 55% equity interest in Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd. (山東勝利油田物華圖博可特管道塗層有限公司)
- (13) UMW Petropipe (L) Ltd. and Jiangsu Shuguang Group Co., Ltd. (江蘇曙光集團有限公司) each holds 8.04% and 33.78% equity interest in Jiangsu Tube-Cote Shuguang Petroleum pipe Coating Co., Ltd., (江蘇圖博可特曙光塗層有限公司) respectively.
- (14) CNOOC Energy Development Co., Ltd. (中海油能源發展股份有限公司) holds 60% equity interest in CNOOC Tube-Cote Coating Co., Ltd. (中海石油圖博可特天津管道有限公司).
- (15) Qingyang Changqing Juli Industrial Co., Ltd. (慶陽長慶巨力實業有限公司) holds 55% equity interest in Xi’an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd. (西安長慶圖博可特石油管道塗層有限公司)
- (16) Mr. Zhang holds 1% equity interest in Shanghai Hilong Special Oil Pipe Co., Ltd. (上海海隆特種鋼管有限公司)
- (17) Yang Zengzhou (楊增洲), an independent third party, holds 70% equity interest in Anshan Haidelong Anti-Corrosion Engineering Co., Ltd. (鞍山海得隆防腐工程有限公司).