

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted Company with limited liability on October 15, 2008. Our Company has established a place of business in Hong Kong at 9<sup>th</sup> Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

We have registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on September 25, 2009. Ms. Cheng Pik Yuk of Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As our Company is established in the Cayman Islands, its operation is subject to the relevant laws and regulations of the Cayman Islands and its constitution, which comprises the Memorandum and Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of the Articles of Association is set out in Appendix V of this prospectus.

**2. Changes in share capital of our Company*****Hilong Holding Limited (formerly known as "Pacific Energy Holdings Limited")***

On October 15, 2008, Hilong Holding Limited was incorporated in the Cayman Islands as a limited liability company. The authorized share capital of the Company at the date of its incorporation was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. On the date of its incorporation, one share was allotted and issued at par, credited as fully paid, to the subscriber to the Memorandum and Articles, Codan Trust Company (Cayman) Limited, which was subsequently transferred to Mr. Zhang Jun on October 15, 2008.

Since the date of incorporation of our Company, the following alterations in its share capital have taken place.

On October 15, 2008, Codan Trust Company (Cayman) Limited transferred the one issued share at par, credited as fully paid to Mr. Zhang Jun.

On November 13, 2008, Mr. Zhang Jun transferred the one share at the par value of HK\$0.10 to Hilong Group Limited.

On November 30, 2010, pursuant to the written resolutions of all the shareholders of the Company, the authorized share capital of the Company was re-classified and re-designated to the effect that the authorized share capital of the Company became HK\$380,000 divided into 3,753,300 ordinary shares of a nominal or par value of HK\$0.10 each and 46,700 preferred shares of a nominal or par value of HK\$0.10 each, all of which were designated as series A preferred shares of the Company.

On November 30, 2010, the Company issued 953,299 ordinary shares and 46,700 Series A preferred shares to Hilong Group Limited and UMW China Ventures (L) Ltd. respectively, both credited as fully paid. Following the completion of the share transfers and issue, Hilong Group Limited, one of our Controlling Shareholders, and UMW China Ventures (L) Ltd. hold 95.33% and 4.67% interest in the Company, respectively.

On February 28, 2011, pursuant to the written resolutions of all the shareholders of the Company, the authorized share capital of the Company was diminished by the cancellation of all authorized but unissued series A preferred shares of HK\$0.10 each of the Company and following such diminution, the authorized share capital of the Company was increased by the creation of such number of ordinary shares of HK\$0.10 each of the Company necessary to increase the authorized share capital to HK\$3,000,000,000 divided into 30,000,000,000 shares of HK\$0.10 each.

In March 2011, Hilong Group Limited transferred 9.33% of Shares in our Company to certain BVI holding entities as part of the arrangement under Zhang's Family Trusts. See "—F. Mr. Zhang's Family Trust." Following the completion of such share transfer, Hilong Group Limited holds approximately 86% of equity interest in our Company and the BVI entities collectively hold an aggregate of approximately 9.33% of equity interest in our Company.

### 3. Changes in share capital or registered capital of the subsidiaries of our Company

Our subsidiaries are set out in the Accountant's Report in Appendix I to this prospectus. The following alterations in the share capital of our offshore and PRC subsidiaries took place within the two years immediately preceding the date of this prospectus.

#### ***Hilong Group of Companies*** (海隆石油工業集團有限公司)

On October 18, 2008, Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd. (北京華實海隆石油機械設備有限公司) transferred 35% interest in Hilong Group of Companies to Hailong International (L) Ltd. for a consideration of RMB182 million. Following completion of the share transfer, Hailong International (L) Ltd. was the sole shareholder of Hilong Group of Companies.

On August 16, 2010, Hailong International (L) Ltd. transferred 100% interest in Hilong Group of Companies to Hilong Energy Limited. Following completion of the share transfer, Hilong Group of Companies became a wholly-owned subsidiary of Hilong Energy Limited.

#### ***Shanghai Hilong Drill Pipe Co., Ltd.*** (上海海隆石油鑽具有限公司) ("Shanghai Hilong")

On August 10, 2010, Hailong International (L) Ltd. transferred 25% interest in Shanghai Hilong to Hilong Energy Limited for a consideration of US\$1.5 million. Following the completion of the share transfer, Hilong Group of Companies and Hilong Energy Limited held 75% and 25% interest in Shanghai Hilong, respectively.

#### ***Jiangsu Hilong Drill Pipe Co., Ltd.*** (江蘇海隆石油鑽具有限公司) ("Jiangsu Hilong")

On the date of incorporation, Hilong Group of Companies and Huashi Hailong held 75% and 25% interest in Jiangsu Hilong, respectively.

On November 11, 2008, Huashi Hailong transferred 25% interest in Jiangsu Hilong to Hilong Group of Companies. Following the completion of the share transfer, Jiangsu Hilong became a wholly-owned subsidiary of Hilong Group of Companies.

#### ***Shanxi Tangrong Hilong Drill Tools Co., Ltd.*** (山西湯榮海隆鑽具有限公司) ("Shanxi Tangrong")

On December 10, 2008, Shanxi Fenglei Machinery Manufacturing Company Limited (山西風雷機械製造有限公司) transferred 20% interest in Shanxi Tangrong to Shichuang Zhongheng (Beijing) Trading Company Limited (世創眾衡(北京)貿易有限公司) ("Shichuang Zhongheng") for a consideration of RMB8.0 million. Following the completion of the share transfer, Hilong Group of Companies, Shanxi Tangrong Car Components Manufacturing Group (山西湯榮汽車配件製造集團有限公司), Shichuang Zhongheng and Hailong International (L) Ltd., held 26%, 29%, 20% and 25% interest in Shangxi Tangrong, respectively.

#### ***Shanghai Boteng Welding Consumables Co., Ltd.*** (上海博騰焊接材料有限公司) ("Shanghai Boteng")

On January 28, 2008, Xi'an Nate Oil Technology Company Limited (西安納特石油技術有限公司), Shanxi Ante Technology Engineering Company Limited (陝西安特技術工程有限公司), Mr. Gao Zhihai (高智海), Ms. Zhao Min (趙敏), Mr. Chen Jinbo (陳錦波), Mr. Zheng Baotian (鄭寶田) and Mr. Han Hongming (韓紅明) transferred 28%, 16%, 12%, 5%, 4%, 3% and 3% interest in Shanghai Boteng to Hilong Group of Companies, respectively. Following the completion of the share transfers, Shanghai Boteng became a wholly-owned subsidiary of Hilong Group of Companies.

On March 25, 2008, Hilong Group of Companies transferred 18% interest in Shanghai Boteng to Shaanxi Ante Technology Engineering Company (陝西安特技術工程有限公司) for a consideration of RMB2.6 million. On the same date, Hilong Group of Companies also transferred the following interests in Shanghai Boteng to the following individuals: 15% to Mr. Gao Zhihai (高智海) for a consideration of RMB2.0 million, 6% to Ms. Zhao Min (趙敏) for a consideration of RMB0.8 million, 4% to Mr. Chen Jinbo (陳錦波) for a consideration of RMB0.6 million and 3% to Mr. Han Hongming (韓紅明) for a consideration of RMB90,000. Following the completion of the share transfers, Hilong Group of Companies owned 54% equity interest in Shanghai Boteng.

***Shanghai Hilong Shine New Material Co., Ltd.*** (上海海隆賽能新材料有限公司)

On September 27, 2010, Hailong International (L) Limited transferred 25% interest in Shanghai Hilong Shine New Material Co., Ltd. for a consideration of US\$1.9 million to Hilong Energy Limited. Following completion of the share transfer, Hilong Energy Limited, Hilong Group of Companies and Shaanxi Ante Technology Engineering Company Limited held 25%, 47% and 28% interest in Shanghai Hilong Shine New Material Co., Ltd., respectively.

***Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd.*** (上海海隆防腐技術工程有限公司)

On March 19, 2008, Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd. increased its share capital from RMB 5 million to RMB10 million. Following completion of the transaction, Hilong Group of Companies, Shaanxi Ante Technology Engineering Company Limited, Mr. Yuan Pengbin (袁鵬斌), Mr. Zhao Min (趙敏), Mr. Chen Jinbo (陳錦波) and Mr. Liu Yizhuang (劉義壯) held 60%, 22%, 5%, 5%, 5% and 3% interest in Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd., respectively.

***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 Tube-Cote*”)

On January 20, 2009, ACE Tubular Technologies Pte. Ltd transferred 9% of interest in Shanghai Tube-Cote to UMW Petropipe (L) Ltd. On the same date, Huashi Hailong also transferred 51% interest to Hilong Group of Companies. Following the completion of the share transfers, Hilong Group of Companies and UMW Petropipe (L) Ltd. held 51% and 49% interest in Shanghai Tube-Cote, while Shanghai Baosheng Industrial Company Limited (上海寶盛實業有限公司) retained the land use right of 50 mullet owned by Shanghai Tube-Cote.

***Jiangsu Tube-Cote Shuguang Co., Ltd.*** (江蘇圖博可特曙光塗層有限公司) (“*Jiangsu Tube-Cote*”)

On February 28, 2008, ACE Tubular Technologies Pte Ltd transferred 17.18% interest in Jiangsu Tube-Cote to Hailong International (L) Ltd. for a cash consideration of RMB13.3 million.

On December 24, 2008, ACE Tubular Technologies Pte Ltd transferred 4.44% interest to UMW Petropipe (L) Ltd. for a consideration of US\$3.4 million. Following the completion of the share transfers, Jiangsu Shuguang Group Company Limited (江蘇曙光集團有限公司), Shanghai Tube-Cote, UMW Petropipe (L) Ltd and Hailong International (L) Ltd held 33.78%, 41%, 8.04% and 17.18% interest in Jiangsu Tube-Cote, respectively.

***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) (“*Xi'an Changqing Tube-Cote*”)

On February 26, 2008, Mr. Li Chongqi (李崇奇), Mr. Ju Yongning (巨永寧) and Mr. Guo Yajun (郭亞軍) transferred 0.17%, 8.28% and 29.73% interest in Xian Changqing Tube-Cote to Qingyang Changqing Juli Industrial Company Limited (慶陽長慶巨力實業有限公司), respectively, for an aggregate consideration of US\$6.9 million. Following the completion of the share transfers, Qingyang Changqing Juli Industrial Company Limited and Shanghai Tube-Cote held 55% and 45% interest in Xi'an Changqing Tube-Cote, respectively.

***Sichuan Hailong Petroleum Technology Co., Ltd.*** (四川海隆石油技術有限公司) (“*Sichuan Hailong*”)

On November 20, 2009, Sichuan Hilong increased its share capital from RMB 3 million to RMB 6 million. Following the transaction, Sichuan Hailong remained a wholly-owned subsidiary of Hilong Group of Companies.

***Hilong Energy Holding Limited (formerly known as “Pacific Energy International Limited”)***

On November 13, 2008, Mr. Zhang Jun transferred the one allotted share at the nominal value of HK\$1.00 to Hilong Holding Limited. Following the completion of the share transfer, Hilong Energy Holding Limited became a wholly-owned subsidiary of Hilong Holding Limited.

***Hilong Energy Limited (formerly known as “Brave Flame Limited”)***

On July 8, 2008, Hilong Energy Limited was incorporated in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One subscriber share of HK\$1.00 was issued to Harefield Limited.

On November 13, 2008, Harefield Limited transferred the one allotted share to Hilong Energy Holding Limited valued at HK\$1.00. Following the completion of the transfer, Hilong Energy Limited became a wholly-owned subsidiary of Hilong Energy Holding Limited.

***Hilong Investment Ltd***

On February 25, 2008, Petrol Allied International Ltd transferred 6,000 shares at par US\$1.00 each to Hailong International (L) Ltd.

On April 19, 2010, Petrol Allied International Ltd transferred 10,000 shares at par US\$1.00 each to Hailong International (L) Ltd. Following the completion of the share transfers, Hilong Investment Ltd became a wholly-owned subsidiary of Hailong International (L) Ltd..

***Hilong Oil Service & Engineering CIA. LTDA.***

On October 12, 2009, Mr. Zhang Yuean transferred 399 shares at US\$1.00 each to Hilong Oil Service Ltd. and on the same date, Mr. Ytalo Cedeno transferred one share at US\$1.00 each to Hailong International (L) Ltd. Following completion of the share transfers, Hilong Oil Service Ltd. held 99.75% and Hilong International (L) Ltd. held 0.25% interest in Hilong Oil Service & Engineering CIA. LTDA, respectively.

***Hilong Petroleum Technology & Engineering Company***

On December 28, 2006, Hilong Petroleum Technology & Engineering Company was incorporated in Kazakhstan with an issued share capital of 111,000 Tenge held by Mr. Nurshyn.

On August 22, 2008, Mr. Nurshyn transferred 100% interest to Hilong Oil Service & Engineering Co., Ltd. and subsequently on January 6, 2010, Hilong Oil Service & Engineering Co., Ltd. transferred 100% interest to Hilong Oil Service Ltd. Following the completion of the share transfers, Hilong Petroleum Technology & Engineering Company became a wholly-owned subsidiary of Hilong Oil Service Ltd.

***Pt. Hilong Oil Service & Engineering Indonesia***

On November 4, 2010, Pt. Hilong Oil Service & Engineering Indonesia increased its share capital from US\$150,000 to US\$600,000. Following the completion of the transaction, Hilong Oil Service Ltd. and Mrs. Anizar Djalil held 95% and 5% of interest in Hilong Oil Service & Engineering Indonesia, respectively. Mrs. Anizar Djalil is an independent third party who holds 5% equity interest in PT Hilong Oil Service & Engineering Indonesia as a nominee shareholder for the benefit of Hilong Oil Service Ltd.

**4. Written resolutions of our Company’s shareholders passed on February 28, 2011**

Pursuant to the resolutions in writing passed by the shareholders of our Company on February 28, 2011 conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may

be issued pursuant to the Capitalization Issue, the exercise of the Over-allotment Option or options which may be granted under the Pre-IPO Share Option Scheme) and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements, the following resolutions, among others, was passed:

- (a) the Global Offering was approved and the Directors were authorized to allot and issue the new Shares under the Global Offering;
- (b) the Over-allotment Option was approved and the Directors were authorized to effect the same and to allot and issue the Over-allotment Shares upon the exercise of the Over-allotment Option;
- (c) the Pre-IPO Share Option Scheme, the principal terms of which are set out in the paragraph headed “Pre-IPO Share Option Scheme” in this Appendix, was approved and ratified and the Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Pre-IPO Share Option Scheme and to vote on any matter connected therewith notwithstanding they or any of them may be interested in the same;
- (d) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with (including the power to make or grant offers, agreements, options and other rights, and issue warrants and other securities which would or might require Shares to be allotted and issued), otherwise than pursuant to an issue of Shares upon exercise of the Over-allotment Option or upon exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or pursuant to a rights issue or pursuant to any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the exercise of the options granted or may be granted under the Pre-IPO Share Option Scheme or other similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of shares or right to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares with an aggregate nominal value not exceeding 20% of aggregate of the total nominal amount of the share capital of the Company in issue, as enlarged by the Global Offering and the Capitalization Issue (but excluding any share capital of the Company which may be issued pursuant to the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held, or until revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (e) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue, as enlarged by the Global Offering and the Capitalization Issue (but excluding any share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within the next annual general meeting of the Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolutions of the Shareholders in general meeting, whichever occurs first;
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal amount of share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to or in accordance with such mandate of an amount representing the aggregate nominal amount of the Shares in the capital



of the Company repurchased by repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue, as enlarged by the Global Offering and the Capitalization Issue (but excluding any share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option); and

(g) the authorised share capital of the Company was diminished by the cancellation of all authorised but unissued series A preferred shares of HK\$0.10 each of the Company and following such diminution, the authorised share capital of the Company was increased by the creation of such number of ordinary shares of HK\$0.10 each of the Company necessary to increase the authorised share capital to HK\$3,000,000,000 divided into 30,000,000,000 shares of HK\$0.10 each;

(h) a new Memorandum of Association and a new Articles of Association was approved and adopted.

## **5. Corporate reorganization**

Please refer to the section “History and Reorganization” in this prospectus for details of the corporate reorganization.

## **6. Repurchase of our Company’s own securities**

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

### **(i) *Shareholders’ approval***

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

Pursuant to the written resolutions passed by the shareholders of the Company on February 28, 2011, a general unconditional mandate (the “Repurchase Mandate”) was granted to the Directors authorizing the repurchase by the Company of Shares as described above in the section head “Written resolutions of our Company’s shareholders passed on February 28, 2011”.

### **(ii) *Source of funds***

Repurchases must be funded out of funds legally available for such purpose in accordance with the Articles of the Company and the laws of the Cayman Islands. A listed company may repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time.

### **(a) *Reasons for repurchases***

The Directors believe that it is in the interests of the Company and its shareholders for the Directors to have a general authority from shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders. Such repurchases may, depending on market on conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or earnings per Share.

(b) *Funding of Repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles of the Company and the applicable laws and regulations of the Cayman Islands.

It is presently proposed that any repurchase of the Shares will be made out of funds of the Company legally permitted to be utilized in this connection, including the profits of the Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles and subject to the Companies Law, out of capital of the Company.

The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

(c) *Share Capital*

Exercise in full of the Repurchase Mandate, on the basis of 1,600,000,000 Shares in issue immediately after the Global Offering without taking account the Shares which may be issued under the Over-allotment Option and the Pre-IPO Share Option Scheme, could accordingly result in up to 160,000,000 Shares (which are fully paid) being repurchased by the Company during the period prior to:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles to be held; or
- (iii) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the shareholders in general meeting,

whichever occurs first.

(d) *General*

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company or its subsidiaries.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he or it has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS**

### **1. Summary of material contracts**

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

- (a) a joint venture contract (合資組建合同書) between Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd. (上海海隆防腐技術工程有限公司) and Shanghai Jiafang Steel Pipe (Group) Co., Ltd. (上海佳方鋼管(集團)有限公司) dated March 23, 2010 for the establishment of Hilong Anti-Corrosion Technology Engineering Taicang Co., Ltd (海隆防腐技術工程(太倉)有限公司);

- (b) a master investment agreement dated August 23, 2010 between Zhang Jun (張軍), Hilong Group Limited, our Company and UMW China Ventures (L) Ltd., details of which have been disclosed in the section headed “History and Reorganization” of the Prospectus;
- (c) a share transfer agreement dated December 10, 2010 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd. (北京華實海隆石油機械設備有限公司), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to transfer 75% of the equity interest in Tianjin Shuanghai Petroleum Steel Pipe Co., Ltd. (天津雙海石油鋼管製造有限公司) to Beijing Huashi Hailong Petroleum Machinery Equipment Co., Ltd. (北京華實海隆石油機械設備有限公司) for a consideration of RMB13,155,000;
- (d) a share transfer agreement dated December 15, 2010 between Hailong International (L) Ltd. (海隆國際有限公司) and Hilong Energy Limited (海隆能源有限公司), pursuant to which Hailong International (L) Ltd. (海隆國際有限公司) agreed to transfer 45% of the equity interest in Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd. (山東勝利油田物華園博可特管道塗層有限公司) to Hilong Energy Limited (海隆能源有限公司) for a consideration of USD1,250,000;
- (e) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Shaanxi Ante Technology Engineering Co., Ltd. (陝西安特石油技術工程有限公司), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 28% of the equity interest in Shanghai Hilong Shine New Material Co., Ltd. (上海海隆賽能新材料有限公司) for a consideration of RMB42,893,052.05;
- (f) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Shaanxi Ante Technology Engineering Co., Ltd. (陝西安特石油技術工程有限公司), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 18% of the equity interest in Shanghai Boteng Welding Consumables Co., Ltd. (上海博騰焊接材料有限公司) for a consideration of RMB10,472,515.63;
- (g) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Gao Zhihai (高智海), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 15% of the equity interest in Shanghai Boteng Welding Consumables Co., Ltd. (上海博騰焊接材料有限公司) for a consideration of RMB8,727,096.36;
- (h) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Zhao Min (趙敏), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 6% of the equity interest in Shanghai Boteng Welding Consumables Co., Ltd. (上海博騰焊接材料有限公司) for a consideration of RMB4,189,006.25;
- (i) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Chen Jinbo (陳錦波), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 4% of the equity interest in Shanghai Boteng Welding Consumables Co., Ltd. (上海博騰焊接材料有限公司) for a consideration of RMB2,782,690.24;
- (j) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Han Hongming (韓紅明), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 3% of the equity interest in Shanghai Boteng Welding Consumables Co., Ltd. (上海博騰焊接材料有限公司) for a consideration of RMB3,054,483.73;
- (k) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Shaanxi Ante Technology Engineering Co., Ltd. (陝西安特石油技術工程有限公司), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 22% of the 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) for a consideration of RMB19,057,321.21;

- (l) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Yuan Pengbin (袁鵬斌), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 5% of the 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) for a consideration of RMB4,479,019.83;
- (m) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Zhao Min (趙敏), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 5% of the 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) for a consideration of RMB4,922,451.24;
- (n) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Chen Jinbo (陳錦波) pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 5% of the 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) for a consideration of RMB4,946,409.59;
- (o) a share purchase agreement dated February 22, 2011 between Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) and Liu Yizhuang (劉義壯), pursuant to which Hilong Group of Companies Ltd. (海隆石油工業集團有限公司) agreed to acquire 3% of the 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) for a consideration of RMB2,904,693.29;
- (p) an agreement to sell shares dated January 31, 2011 between Hilong Oil Pipe Co Ltd. and Xia Gao, Hilong Investment Ltd., and Hilong Petropipe Co. Ltd., pursuant to which Hilong Investment Ltd. agreed to acquire two hundred Class “A” Common Voting Shares in the share capital of Hilong Petropipe Co. Ltd. for a consideration of C\$200.00;
- (q) the Public Offer Underwriting Agreement;
- (r) the deed of tax indemnity dated March 3, 2011 given by our Controlling Shareholders in favor of our Company being the deed of indemnity containing indemnities in respect of, amongst others, taxation referred to in the section headed “—H. Other Information—1. Tax and other indemnities” in this Appendix;
- (s) the non-competition deed dated March 3, 2011 between our Company and the Controlling Shareholders;
- (t) a placing agreement dated March 30, 2011 entered into among our Company, the Joint Bookrunners and AVIC-CCBI Aviation Industry Investment Fund, L.P. for such number of Shares as may be purchased with an amount of US\$20 million at the Offer Price, details of which are set out in the section headed “Cornerstone Investors” of this prospectus; and
- (u) a placing agreement dated April 6, 2011 entered into among our Company, the Joint Bookrunners and Cheerful Link Holdings Limited for such number of Shares as may be purchased with an amount of US\$10 million at the Offer Price, details of which are set out in the section headed “Cornerstone Investors” of this prospectus.







## 2. Intellectual property rights material to the Group's business

Set out below are particulars as of the Latest Practicable Date of all the intellectual and industrial property rights which are material in relation to the Group's business:

### (a) Trademarks


- (i) As of the Latest Practicable Date, our Company was the registered proprietor of, or has been licensed to use, the following trademarks which are material in relation to our Group's business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	6531506	2	Hilong Group of Companies Ltd.	China	March 28, 2010	March 27, 2020
	6531505	2	Hilong Group of Companies Ltd.	China	May 7, 2010	May 6, 2020
	6865326	7	Hilong Group of Companies Ltd.	China	May 7, 2010	May 6, 2020
	6865321	40	Hilong Group of Companies Ltd.	China	May 7, 2010	May 6, 2020
	6865323	40	Hilong Group of Companies Ltd.	China	May 7, 2010	May 6, 2020
	6830507	6	Hilong Group of Companies Ltd.	China	May 28, 2010	May 27, 2020
	6831509	6	Hilong Group of Companies Ltd.	China	May 28, 2010	May 27, 2020
	6531487	7	Hilong Group of Companies Ltd.	China	May 28, 2010	May 27, 2020

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	6531488	7	Hilong Group of Companies Ltd.	China	May 28, 2010	May 27, 2020
	6531489	7	Hilong Group of Companies Ltd.	China	May 28, 2010	May 27, 2020
	6865324	7	Hilong Group of Companies Ltd.	China	July 7, 2010	July 6, 2020
	6865327	4	Hilong Group of Companies Ltd.	China	July 7, 2010	July 6, 2020
	6865328	4	Hilong Group of Companies Ltd.	China	July 7, 2010	July 6, 2020
	6865329	4	Hilong Group of Companies Ltd.	China	July 7, 2010	July 6, 2020
	301215242	2, 4, 6, 7, 40, 42	Hilong Group of Companies Ltd.	Hong Kong	October 6, 2008	October 6, 2018
	301215224	2, 4, 6, 7, 40, 42	Hilong Group of Companies Ltd.	Hong Kong	October 6, 2008	October 6, 2018
	301215233	2, 4, 6, 7, 40, 42	Hilong Group of Companies Ltd.	Hong Kong	October 6, 2008	October 6, 2018
	83762	4	Hilong Group of Companies Ltd.	Kuwait	November 6, 2008	November 6, 2018

<u>Trademark</u>	<u>Registration Number</u>	<u>Class</u>	<u>Name of Registered Proprietor</u>	<u>Place of Registration</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
	54501	42	Hilong Group of Companies Ltd.	Oman	November 18, 2008	November 18, 2018
	377952	2, 6, 7	Hilong Group of Companies Ltd.	Russia	February 5, 2008	February 5, 2018
	100304	4	Hilong Group of Companies	United Arab Emirates	August 27, 2008	August 27, 2018
	3,685,157	4, 7, 40, 42	Hilong Group of Companies Ltd.	USA	September 22, 2009	September 22, 2019

- (ii) As at the Latest Practicable Date, our Group has applied for the registration of the following trademark which is material in relation to our Group's business:

<u>Trademark</u>	<u>Class</u>	<u>Name of Registered Proprietor</u>	<u>Place of Registration</u>	<u>Date of Application</u>
	2, 6, 7	Hilong Group of Companies Ltd.	China	January 22, 2008

(b) Patents

As at the Latest Practicable Date, our Group has obtained registrations of the following patents which are material in relation to our Group's business:

<u>Patent</u>	<u>Registration Number</u>	<u>Name of Registered Proprietor</u>	<u>Place of Registration</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
anticorrosion oil pipe and connecting structure	ZL 2007 2 0073976.7	Shanghai Hilong Tubular Goods Research Institute	China	June 11, 2008	June 11, 2018
tool joints of curved-faced butt-jointed double-shoulder high torque-resistant drill pipe	ZL 2007 2 0073975.2	Shanghai Hilong Tubular Goods Research Institute	China	August 13, 2008	August 13, 2018
tool joints of extra-long double-shoulder high torque-resistant drill pipe	200720075405.7	Shanghai Hilong Tubular Goods Research Institute	China	December 9, 2009	December 9, 2019
tool joints of modified digital thread double-shoulder high torque-resistant drill pipe	ZL 2007 2 0076821.9	Shanghai Hilong Tubular Goods Research Institute	China	August 13, 2008	August 13, 2018
structure connecting the pipe body made of composite material and the steel tool joint	ZL 2008 2 0056720.X	Shanghai Hilong Tubular Goods Research Institute	China	July 1, 2009	July 1, 2019

<u>Patent</u>	<u>Registration Number</u>	<u>Name of Registered Proprietor</u>	<u>Place of Registration</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
tool joints of fair torque-resistant drill pipe	200820056719.7	Shanghai Hilong Tubular Goods Research Institute	China	March 4, 2009	March 4, 2019
tool joints of relatively-high-torque-resistant drill pipe	ZL 2008 2 0056721.4	Shanghai Hilong Tubular Goods Research Institute	China	February 25, 2009	February 25, 2019
seals with changeable diameter	200920070501.1	Shanghai Hilong Tubular Goods Research Institute	China	February 17, 2010	February 17, 2020
Carbon dioxide build-up welding machine for drilling tool hardfacing	200710047346.7	Hilong Group of Companies Ltd.	China	July 23, 2008	July 23, 2018

## (c) Domain Name

As at the Latest Practicable Date, our Group has registered the following domain name which is material in relation to our Group's business:

<u>Domain Name</u>	<u>Registrant</u>	<u>Term</u>
hilonggroup.net	Hilong Group of Companies Ltd.	April 30, 2008 to April 30, 2011 <sup>Note(1)</sup>

Note:

(1) We expect to extend the term of this domain name for an additional 10 years.

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material in relation to our Group's business.

## C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of interests

- (a) Interests and/or short positions of the Directors and chief executives in the share capital of our Company and its associated corporations following the Global Offering and the Capitalization Issue.

Immediately following completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares which may be taken up under the Global Offering and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option), the interests and/or short positions of the Directors and chief executives of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

#### Long and short positions in our Shares

<u>Name of Director</u>	<u>Nature of interest</u>	<u>No. of shares of Interest<sup>Note 1</sup></u>	<u>Approximate Percentage of Shareholding</u>
Mr. Zhang	Beneficiary of Mr. Zhang's Trust	1,031,959,200	85.9996%

Note:

(1) All interest in the Shares are long positions.



- (b) Interests and/or short positions of the substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares to be issued pursuant to exercise of the Over-allotment Option), so far as the Directors are aware, the following persons (not being a Director or a chief executive of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

### Long position in our Shares

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>No. of shares of Interest <sup>(1)</sup></u>	<u>Approximate Percentage of Shareholding</u>
<i>Substantial shareholders</i>			
Mr. Zhang	Beneficiary of Mr. Zhang's Trust	1,031,959,200	64.50%
Hilong Group Limited	Beneficial owner	1,031,959,200	64.50%
Standard Chartered Trust (Cayman) Limited	Trustee	1,143,960,000	71.50%

Note:

(1) All interest in the Shares are long positions.

### (c) *Negative statements regarding interests in securities*

None of the Directors or chief executive will immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised) have any disclosure interests (as referred to in (a) above), other than as disclosed at (a) above.

Taking no account of Shares which may be taken up under the Global Offering and Shares which may fall to be issued upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme, none of the Directors knows of any persons who will immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised) have a notifiable interest under the provisions under Divisions 2 and 3 of Part XV of the SFO or who (not being a member of the Group) will immediately following the completion of the Global Offering be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital in any member of the Group carrying rights to vote in all circumstances at general meetings of such member of the Group, other than as disclosed in (b) above.

## 2. Particulars of Directors' service contracts and letters of appointment

Each of the Executive Directors has entered into a service contract with our Company for an initial term of three years, commencing from December 2, 2010 to December 2, 2013 (subject to termination in certain circumstances as stipulated in the relevant service contract).

Pursuant to the service contracts, the director's fees of our Executive Directors are as follows:

<u>Director</u>	<u>Remuneration (per annum)</u>
	<u>HK\$'000</u>
Zhang Jun .....	0
Zhang Shuman .....	0
Ji Min .....	0

In addition, each of our Executive Directors is fully reimbursed for all reasonable out-of-pocket expenses reasonably incurred in the course of his/her employment under the relevant service contracts.

Each of the Non-executive Directors has signed a letter of appointment with our Company for an initial term of three years (subject to termination in certain circumstances as stipulated in the relevant letters of appointment). The annual remuneration payable to each of our Non-executive Directors under the relevant letters of appointment is as follows:

<u>Director</u>	<u>Remuneration (per annum)</u> HK\$'000
Datuk Syed Hisham Bin Syed Wazir .....	0
Yuan Pengbin .....	0
Wang Tao .....	0

Each of the Non-executive Directors is fully reimbursed for all reasonable out-of-pocket expenses incurred in discharging his duties on production of appropriate proofs of payment.

Each of the Independent Non-executive Directors has signed a letter of appointment with our Company for an initial term of three years commencing from December 2, 2010 to December 2, 2013 (subject to termination in certain circumstances as stipulated in the relevant letters of appointment). The annual remuneration payable to each of our Independent Non-executive Directors under the relevant letters of appointment is as follows:

<u>Director</u>	<u>Remuneration (per annum)</u> HK\$'000
Wang Tao .....	120
Liu Qihua .....	120
Lee Siang Chin .....	120

In addition, each of the Independent Non-executive Directors is fully reimbursed for all reasonable out-of-pocket expenses incurred in discharging his duties on production of appropriate proofs of payment.

Save as disclosed in this Appendix, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

### 3. Remuneration of Directors

The aggregate amount of fee, salaries, housing allowances, other allowances and benefits in kind paid by the Group during the three years ended December 31, 2010 was approximately RMB1.1 million, RMB1.0 million and RMB1.1 million, respectively. The current annual Director's fees and remuneration of the executive and non-executive Directors are as follows:-

Under the arrangement currently in force, the aggregate amount of emoluments payable by the Group to the Directors for the year ending December 31, 2011 will be approximately HK\$360,000.

Further details of the terms of the service contracts with our Directors are set out in the paragraph headed "Particulars of service contracts" in this section.

### 4. Agency fees or commission

Save as disclosed in this Appendix, within two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

**5. Related party transactions**

During the two years immediately preceding the date of this prospectus, our Company has engaged in dealings with certain Directors and their associates as described in Note 36 to the “Notes to the Financial Information” section of the Accountant’s Report set out in Appendices I to this prospectus.

**D. DISCLAIMERS**

Save as disclosed in this Appendix:

- (a) none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of the Directors or experts referred to under the heading “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus, 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;
- (c) none of the Directors or experts referred to under the heading “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering and of any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the option which may be granted under Pre-IPO Share Option Scheme, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (f) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or shareholders of the Company who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

**E. PRE-IPO SHARE OPTION SCHEME****1. Summary of Terms**

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme which became effective on January 1, 2011.

**(a) Purpose**

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) have or may have made to our Company. The Pre-IPO Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in our Company with a view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Company; and
- (ii) attract and retain or otherwise maintain relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Company.

**(b) Who may join**

The eligible participants (collectively the “**Eligible Participants**”) under the Pre-IPO Share Option Scheme include the following:

- (i) the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company;
- (ii) the full-time employees of any of the subsidiaries of the level of manager or above;
- (iii) technical experts that have contributed or will contribute to our Company and/or any of its subsidiaries; and
- (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to our Company and/or any of the subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

**(c) Maximum number of Shares**

The total number of Shares subject to the Pre-IPO Share Option Scheme is 46,322,000 Shares, representing approximately 2.9% of the issued share capital of our Company immediately upon completion of the Global Offering.

**(d) Price of Shares**

The subscription price of a Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall be a price equivalent to the Offer Price.

(e) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do.

(f) *Time of exercise of Option and duration of the Pre-IPO Share Option Scheme*

The grantees to whom an option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her option up to 20% at any time commencing from an anniversary of the Listing Date and ending in the next anniversary of the Listing Date, except the last 20% which will be exercisable at any time during the period commencing from the fifth anniversary of the Listing Date and ending on the expiry of the option period.

The Options granted under the Pre-IPO Share Option Scheme are not transferable and options not exercised within the exercise period above will lapse and cease to be of further effect.

(g) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(h) *Effect of alterations to capital*

In the event of capitalization issue, rights issue, open offer, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option and/or the method of exercise of the option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to pre-IPO share option schemes (the “**Supplemental Guidance**”). Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company (as interpreted in accordance with the Supplementary Guidance for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(i) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the respective stated exercise period in the Pre-IPO Share Option Scheme;
- (ii) the date of expiry of the option as may be determined by the Board;



- (iii) the date of commencement of the winding-up of our Company in accordance with the Companies Law;
- (iv) the date on which the grantee ceases to be an Eligible Participant for any reason. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (v) the date on which the Board shall exercise our Company's right to cancel the option in accordance with paragraph (l) below.
- (j) ***Alteration of the Pre-IPO Share Option Scheme***

The Pre-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that any material alteration to the terms and conditions of the Pre-IPO Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Pre-IPO Share Option Scheme.

(k) ***Cancellation of Options***

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options.

(l) ***Termination of the Pre-IPO Share Option Scheme***

We may by resolution in general meeting or the Board at any time terminate the Pre-IPO Share Option Scheme and in such event no further option shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(m) ***Administration of the Board***

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(n) ***Disclosure in annual and interim reports***

We will disclose details of the Pre-IPO Share Option Scheme in our annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time. Our Directors confirm that they will not exercise any options granted under the Pre-IPO Share Option Scheme if as a result of the conversion our Company would not be able to comply with the minimum public float requirement of the Listing Rules.

## **2. Outstanding Options**

As of the date of this prospectus, options to subscribe for an aggregate of 46,322,000 Shares at an exercise price equivalent to the Offer Price have been conditionally granted by our Company under the Pre-IPO Share Option Scheme. A total of 225 eligible participants have been granted options under the Pre-IPO Share Option Scheme.

Below is a list of the Directors who are grantees under the Pre-IPO Share Option Scheme:

<u>Grantee and position</u>	<u>Address</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of options</u>
Zhang Jun <i>(Chairman, executive Director, chief executive officer and Controlling Shareholder)</i>	Room 2102, No. 1 Block No. 88 Jianguo Road Chaoyang District Beijing China	600,000	0.0364%
Zhang Shuman <i>(Executive Director and chief strategy officer)</i>	Room 401, No. 56, 8th District Jinqiu Road Lane 699 Baoshan District Shanghai China	600,000	0.0364%
Ji Min <i>(Executive Director and chief financial officer)</i>	Room 301 No. 42 Lingyan Road, Lane 56 Pudong New District Shanghai	800,000	0.0486%
Yuan Pengbin <i>(Non-executive Director)</i>	Room 302 No. 10 Luoying Road, Lane 558 Baoshan District Shanghai China	2,150,000	0.1306%
Wang Tao <i>(Non-executive Director)</i>	Room 1101, Block 4 No. 6 Bei Yuan Tian Yue Yuan Chaoyang District Beijing China	2,150,000	0.1306%
<b>Subtotal</b>		<b>6,300,000</b>	

Below is a list of senior management who are grantees under the Pre-IPO Share Option Scheme:

<u>Grantee</u>	<u>Address</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of options</u>
Chen Su (General Manager of Hilong Group of Companies Ltd.)	Room 1002 No. 9 Fengyang Road, Lane 588 Jingan District Shanghai China	2,150,000	0.1306%
Dai Daliang (Director of Hilong Drilling & Supply FZE, director of Hilong Oil Services and Engineering Nigeria Limited and director and the general manager of Hilong Oil Service & Engineering Co., Ltd.)	Room 4-702, Xiang Shang Jia Yuan No. 10 Ande Road A Dongcheng District Beijing China	2,150,000	0.1306%
Liu Yizhuang (General manager of the international business department of Hilong Group of Companies Ltd.)	Room 602 No. 73 Guangzhong West Road, Lane 73 Shanghai China	2,150,000	0.1306%
Cao Yuhong (General manager of Shanghai Hilong Drill Pipe Co., Ltd. and general manager of Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd.)	Room 1302 No. 38 Haijiang Road, Lane 38 Baoshan District Shanghai China	600,000	0.0364%
Fang Junfeng (Director and the general manager of Shanghai Hilong Shine New Material Co., Ltd. and director and the general manager of Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd.)	Room 302 No. 17 Luoying Road, Lane 558 Baoshan District Shanghai China	600,000	0.0364%
Gao Zhihai (Chairman and general manager of Shanghai Boteng Welding Consumables Co., Ltd. and director of Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd.)	Room 401 No. 1 Shuangcheng Road, Lane 2 Baoshan District Shanghai China	600,000	0.0364%
Xue Zhijun (General manager of CNOOC Tube-Cote Petroleum Pipe Coating Co., Ltd.)	No. 7-701, Lane 50 Dedu Road Baoshan District Shanghai China	420,000	0.0255%
<b>Subtotal</b>		<b>8,670,000</b>	

Below is a list of the connected persons who are grantees under the Pre-IPO Share Option Scheme:

<u>Grantee</u>	<u>Address</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of options</u>
Zhao Min (Co-manager of Sales of Shanghai Hilong Drill Pipe Co., Ltd.)	Room 902 No. 66 Lingnan Road, Lane 1288 Baoshan District Shanghai China	600,000	0.0364%
Zhang Jing (President of the Labor Union of Hilong Group of Companies Ltd.)	No. 50, Group 1 East Community, Donghuan Road Qingzhou Town, Qing County, Cangzhou Hebei Province China	600,000	0.0364%
Chen Jinbo (Executive director of overseas development branch and head of planning and development department of Hilong Group of Companies Ltd.)	Room 202 No. 79 Luoying Road, Lane 558 Baoshan District Shanghai China	600,000	0.0364%
Cao Hongbo (Co-manager, head of general department and purchase department of Hilong Group of Companies Ltd.)	Room 301 No. 43 Luoying Road, Lane 558 Baoshan District Shanghai China	800,000	0.0486%
<b>Subtotal</b>		<b>2,600,000</b>	

Below is a list of the grantees who have 600,000 or more Shares exercisable under the options granted under the Pre-IPO Share Option Scheme:

<u>Grantee</u>	<u>Address</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of options</u>
Shuai Yamin (Co-manager of Sales of Shanghai Hilong Drill Pipe Co., Ltd.)	Room 203 No. 35 Luoying Road, Lane 19 Baoshan District Shanghai China	600,000	0.0364%
Qiao Xiaotang (Co-manager of Sales of Shanghai Hilong Drill Pipe Co., Ltd.)	Room 302 No. 46 Luoying Road, Lane 558 Baoshan District Shanghai China	600,000	0.0364%
Bai Xueming (Co-manager of Sales of Shanghai Hilong Drill Pipe Co., Ltd.)	Room 401 No. 77 Luoying Road, Lane 558 Baoshan District Shanghai China	600,000	0.0364%

<u>Grantee</u>	<u>Address</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of options</u>
Liu Song <i>(Co-manager of overseas sales of Hilong Group of Companies Ltd.)</i>	Room 301 No.11 Guangzhong Road West, Lane 99 Zhabei District Shanghai China	600,000	0.0364%
Zhang Jianwei <i>(Co-manager of Hilong Oil Service and Engineering Co., Ltd.)</i>	Room 042 North Building 18, No. 8 Huayuan Road Haidian District Beijing China	600,000	0.0364%
Wang Xianglei <i>(Co-manager of Hilong Oil Service and Engineering Co., Ltd.)</i>	Room 6-2-302 Ao Cheng Tian Yue Yuan Community Bei Chen Lu Se Jia Yuan Chaoyang District Beijing China	600,000	0.0364%
Xi Xiaotang <i>(Legal advisor of capital operation department of Hilong Group of Companies Ltd.)</i>	Room 302 No. 57, Shun Chi Mei Lan Hu Luoying Road, Lane 558 Baoshan District Shanghai China	600,000	0.0364%
Xu Peng <i>(Manager of coating department of Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd.)</i>	Room 601 No. 21, Fu Hao He Bin Garden No. 88 Yue Pu De Du Road Baoshan District Shanghai China	600,000	0.0364%
Sun Jian <i>(Co-manager of Shanghai Hilong Shine New Material Co., Ltd.)</i>	Room 1201 No. 38 Haijiang Road, Lane 667 Baoshan District Shanghai China	600,000	0.0364%
<b>Subtotal</b>		<b>5,400,000</b>	

In addition to the above grantees, 200 other employees of our Company have been granted options to subscribe for an aggregate number of 23,352,000 Shares, representing approximately 1.4% of the issued share capital of our Company immediately upon completion of the Global Offering and after exercise of all options granted under the Pre-IPO Share Option Scheme, with individual grant ranging from 16,000 to 420,000 Shares.

Save for the above, no further options has been offered under the Pre-IPO Share Option Scheme and no further options will be offered thereunder on or after the Listing Date.



The shareholding structure of our Company before and after the full exercise of all the options granted under the Pre- IPO Share Option Scheme will be as follows:

	Before any exercise	After full exercise
Hilong Group Limited .....	64.50%	62.69%
UMW China Venture (L) Ltd. ....	3.50%	3.40%
Mr. Zhang's Family Trusts .....	7%	6.80%
Grantees under Pre-IPO Share Option Scheme .....	0%	2.81%
Public .....	25%	24.30%
Total .....	100%	100%

We will ensure compliance with the minimum public float requirement of Rule 8.08 of the Listing Rules.

### 3. Valuation of the Options Granted under the Pre-IPO Share Option Scheme

The valuation of options granted under the Pre-IPO Share Option Scheme was conducted based on the Binomial Model with the following assumptions:

Date of grant	: January 1, 2011
Estimated share price at the date of grant	: RMB2.59
Annual risk free rate	: 2.87%
Expected volatility	: 56.41%
Life of the option	: 10 years
Expected dividend yield	: 2%

The share-based payment expense in relation to the Pre-IPO Share Option Scheme is estimated to be approximately HK\$42.4 million, which will be amortized over the vesting period of the share options from year 2011 to year 2015.

The fair value per share option:

1-Jan-12 .....	HK\$0.87
1-Jan-13 .....	HK\$0.94
1-Jan-14 .....	HK\$0.95
1-Jan-15 .....	HK\$0.93
1-Jan-16 .....	HK\$0.89

The result of the Binomial Model can be materially affected by changes in the aforesaid assumptions so an option's actual value may be differ from the estimated fair value of the options due to limitations of the Binomial Model. All options forfeited before expiry of the Pre-IPO Share Option Scheme will be treated as lapsed and will not be added back to the number of shares available to be issued under the Pre-IPO Share Option Scheme.

### 4. Effect on the Earnings per Share as a Result of the Pre-IPO Share Options

Assuming that all of the options granted under the Pre-IPO Share Option Scheme are exercised in full on the Listing Date, this would have a dilutive effect on the shareholdings of our Company of approximately 2.8%. If calculated based on (i) 1,646,322,000 Shares, the assumed number of Shares to be in issue and outstanding throughout the year ended December 31, 2010 solely for purposes of this calculation, comprising 1,600,000,000 Shares to be in issue immediately after the Global Offering and 46,322,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, and (ii) our combined profit attributable to equity holders of the Company for the year ended December 31, 2010, our earnings per Share for the year ended December 31, 2010 would not have materially and adversely decreased.

## 5. Waiver

We have applied for (a) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under rule 17.02 (1)(b) and paragraph 27 of Appendix IA to the Listing Rules; and (b) a certificate of exemption under section 342A of the Companies Ordinance from the SFC in strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, on the grounds set forth below:

- (a) in light of the large number of grantees involved (225 grantees in total), strict compliance with such disclosure requirements, in setting out full details of all grantees under the Pre-IPO Share Option Scheme in the prospectus, would be unduly burdensome for the Company;
- (b) the grant and exercise in full of the options granted under the Pre-IPO Share Option Scheme will not cause any material adverse impact in the financial position of the Company;
- (c) non-compliance with the disclosure requirements does not prevent the Company from providing an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Company to its potential investors;
- (d) all information of the options granted to (i) Directors, (ii) senior management, (iii) personnel who have been granted with 600,000 options or more under the Pre-IPO Share Option Scheme and (iv) grantees who are also connected persons of our Company would be disclosed in the section headed “Pre-IPO Share Option Scheme” in Appendix VI of the prospectus, which would provide potential investors with sufficient information to make informed decision; and
- (e) all material information of the Pre-IPO Share Option Scheme that is reasonably necessary for potential investors to make an informed assessment of the activities and financial position of the Company have been included in this prospectus. Non-compliance with the disclosure requirements will not prejudice the interest of the investing public.

The Stock Exchange has granted the waiver to us on the condition that the following particulars are set out in the Company’s prospectus and the prospectus will be issued on or before April 11, 2011:

- (a) the aggregate number of shares subject to the outstanding options granted under the Pre-IPO Share Option Scheme and the percentage to the Company’s total issued share capital represented by such number of shares;
- (b) on an individual basis, full details of each option holder under the Pre-IPO Share Option Scheme who is (i) a Director of the Company; (ii) a member of the senior management of the Company; (iii) a connected person of the Company; or (iv) a grantee who has 600,000 or more Shares exercisable under the options granted, including all particulars as required under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;
- (c) in respect of the options granted by the Company under the Pre-IPO Share Option Scheme other than those referred to in sub-paragraph (b) above, (i) the aggregate number of grantees and the number of shares subject to the options; (ii) the consideration paid for the grant of the options; and (iii) the exercise period and the exercise price for the options;
- (d) dilution effect to the shareholding in the Company and impact on the earnings per Share; and
- (e) a list of all the grantees (including those persons whose details have already been disclosed in the Prospectus) who have been granted options under the Pre-IPO Share Option Scheme containing all the particulars as required under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance be made available for public inspection in accordance with the paragraph entitled “Documents delivered to the Registrar of Companies and available for inspection” in Appendix VII to this prospectus.

The SFC (pursuant to Section 342A of the Companies Ordinance) has granted the certificate of exemption to us on the condition that the following particulars are set out in the Company's prospectus and the prospectus will be issued on or before April 11, 2011:

- (a) on an individual basis, full details of each option holder under the Pre-IPO Share Option Scheme who is (i) a Director of the Company; (ii) a member of the senior management of the Company; (iii) a connected person of the Company; or (iv) a grantee who has 600,000 or more Shares exercisable under the options granted, including all particulars as required under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;
- (b) in respect of the options granted by the Company under the Pre-IPO Share Option Scheme other than those referred to in sub-paragraph (a) above, (i) the aggregate number of grantees and the number of shares subject to the options; (ii) the consideration paid for the grant of the options; and (iii) the exercise period and the exercise price for the options; and
- (c) a list of all the grantees (including those persons whose details have already been disclosed in the Prospectus) who have been granted options under the Pre-IPO Share Option Scheme containing all the particulars as required under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance be made available for public inspection in accordance with the paragraph entitled "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VII to this prospectus.

#### **F. MR. ZHANG'S FAMILY TRUSTS**

In March 2011, three family trusts (the "Mr. Zhang's Family Trusts") were established by Mr. Zhang (as settlor) to hold indirect interests in the Shares for the benefit of his family members, with Standard Chartered Trust (Cayman) Limited acting as the trustee. Each of Mr. Zhang's Family Trusts holds 100% of the equity interest in the respective BVI entities, which in turn holds equity interest in our Company.

As of the date of this prospectus, the Shares held under each Mr. Zhang's Family Trust represents approximately 2%, 2% and 5.33% of the share capital of the Company, or approximately 1.5%, 1.5% and 4% of the share capital of the Company after completion of the Global Offering (assuming the Over-Allotment is not exercised).

Under the Mr. Zhang's Family Trusts, beneficiaries have attributable interests in Shares which are calculated based on their interests as beneficiaries in the trust assets of Mr. Zhang's Family Trusts.

#### **G. MR. ZHANG'S TRUST**

In March 2011, Mr. Zhang's Trust was established by Mr. Zhang (as settlor) to hold indirect interests in the Shares for the benefit of Mr. Zhang, with Standard Chartered Trust (Cayman) Limited acting as the trustee. Mr. Zhang's Trust holds 100% of the equity interest in Hilong Group Limited, which in turn holds equity interest in our Company.

As of the date of this prospectus, the Shares held under Mr. Zhang's Trust represents approximately 86% of the share capital of the Company, or approximately 64.5% of the share capital of the Company after completion of the Global Offering (assuming the Over-Allotment is not exercised).

#### **H. OTHER INFORMATION**

##### **1. Tax and other indemnities**

Our Controlling Shareholders have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the sub-section headed

“Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which any member of our Company may be subject and payable on or before the date when the Global Offering becomes unconditional.

## **2. Litigation**

As of the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

## **3. Preliminary expenses**

The preliminary expenses of the Company are approximately US\$4,100 and was paid by the Company.

## **4. Sole Sponsor**

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Pre-IPO Share Option Scheme and the exercise of the Over-allotment Option).

## **5. No material adverse change**

The Directors believe that there has been no material adverse change in our Group’s financial or trading position or prospects since December 31, 2010 (being the date on which the latest audited combined financial statements of our Group was made up).

## **6. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

## **7. Shares will be eligible for CCASS**

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Pre-IPO Share Option Scheme.

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS for clearing and settlement, which is established and operated by the HKSCC.

## **8. Compliance Adviser**

Our Company will appoint Guotai Junan Capital Limited as the compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

## 9. Qualification of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

<u>Name of Expert</u>	<u>Qualification</u>
Morgan Stanley Asia Limited	Licensed to conduct Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 5 (Advising on Futures Contracts), Type 6 (Advising on Corporate Finance), Type 7 (Providing Automated Trading Services) and Type 9 (Asset Management) of the regulated activities under the SFO, acting as the Sole Sponsor of the Global Offering
PricewaterhouseCoopers	Certified public accountants
King & Wood	Qualified PRC lawyers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Perez Bustamane & Ponce	Qualified Ecuador lawyers
Salans LLP	Qualified Kazakhstan lawyers
Jones Lang LaSalle Sallmanns Limited	Property valuer
Spears and Associates, Inc.	Industry consultant

## 10. Consents of experts

Each of Morgan Stanley Asia Limited, PricewaterhouseCoopers, King & Wood, Conyers Dill & Pearman, Perez Bustamane & Ponce, Salans LLP, Jones Lang LaSalle Sallmanns Limited and Spears and Associates, Inc. has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/ or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

## 11. Particulars of Selling Shareholder

Particulars of the Selling Shareholder are set out as follows:

<u>Name of Selling Shareholder</u>	<u>Description</u>	<u>Registered Office</u>	<u>No. of Shares Offered in case of the exercise of Over-allotment Option</u>
Hilong Group Limited .....	A limited liability company incorporated in the British Virgin Islands	Romasco Place, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands, VG1110	60,000,000

## 12. Miscellaneous

Save as disclosed in this Appendix and the section headed “History and Reorganization” in this prospectus, within the two years immediately preceding the date of this prospectus:

- (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or for a consideration other than cash;
- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;



(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries;

Save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in the Company or any of its subsidiaries that have been issued or agreed to be issued.

None of the persons named in the sub-paragraph headed “Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group;

There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus;

The Hong Kong register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company’s Hong Kong Share Registrar in Hong Kong and may not be lodged in the Cayman Islands.

No company within the Group is presently listed on any stock exchange or traded on any trading system;

The Directors have been advised that, Cayman Law does not prohibit the use of a Chinese name or an abbreviation thereof by the Company for the purposes of identification only on the market floor and on the computer screen at the Stock Exchange for trading purposes; and

### **13. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

### **14. Promoters**

Our Company has no promoter for the purposes of the Listing Rules.