



海隆控股有限公司*

Hilong Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1623

* For identification purpose only

2016 Environmental, Social and Governance Report



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Explanation of the Report

About this Report

Hilong Holding Limited (the “Company”) (Stock Code: 1623) hereby presents the Environmental, Social and Governance Report 2016 of the Company and its subsidiaries (collectively, the “Group”) to demonstrate the concepts and practices of the Group in environmental, social and governance areas to its stakeholders.

The Board of Directors of the Company assumes full responsibility for the environmental, social and governance strategies and reporting. The Board is responsible for the evaluation and determination of the Company’s ESG-related risks and ensuring that the Company has established an applicable and effective system to manage and internally control ESG-related risks. Furthermore, the management provides confirmation to the Board as to whether the system to manage and internally control ESG-related risks is effective or not.

Reporting Scope

This report primarily includes the Company and its subsidiaries. The reporting time period is from 1 January 2016 to 31 December 2016.

References

This report is prepared according to the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchanges of Hong Kong Limited. This report is organized into two subject areas (namely environmental and social areas), elaborating on the environmental and social impacts of the Group’s businesses and operations according to the requirements explicitly listed in the ESG Reporting Guide.

Report Availability

This report is available in electronic version which can be viewed on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.hilonggroup.net).

Subject of Statement

Hilong Holding Limited is referred to as “Hilong”, the “Company” or “We” for easy statement.

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1. Company Profile

1.1. Company Brief

Hilong was established in 2002. Since its inception, Hilong has achieved tremendous growth, deriving from the singular provision of petroleum tube coating services to a comprehensive oilfield equipment and services supplier with distinctive main lines of business and complete industry chain through horizontal extension and vertical integration development. Hilong has formed business segments covering oilfield equipment, oilfieldservices, line pipetechnology and services, offshore engineering and professional research. Hilong continues to focus on technological innovation as a core development strategy, continually improving its international operational capabilities. Hilong entered international markets in 2005and has since established a business network spanning the Americas, the Middle East, Russia, North Africa and Europe. In 2011, Hilong publicly listed on the main board of The Stock Exchanges of Hong Kong Limited and stepped into the international arena for competition and development.

Hilong has seen more than tenyears of development, extending horizontally from drilling, exploitation and transmission of petroleum and natural gas to include oilfield services, oilfield equipment, line pipetechnology and services as well as offshore engineering. At the same time, Hilong has comprehensively developed vertically, expanding its petroleum line pipecoating, hardbanding and other complementary business. The Group has also developed petroleum line pipecoating materials, hardbanding welding wire, drill pipe fittings, petroleum line pipeand other key upstream industry materials, as well as professional research institutes focusingon petroleum line pipe, petrochemical, and offshore petroleum engineering.

Hilong has developed into an organization with extensive geographic coverage. Professional industry enterprises and research institutes in fields such as oilfield equipment, line pipetechnology and services, and offshore petroleum engineering are primarily concentrated in Shanghai and Jiangsu within the Yangtze River Delta. Hilong has also established production bases in Tianjin, Shandong, Shanxi, Shaanxi, Northeast China, and Sichuan.Oilfieldservices, core product manufacturing, petroleum investment, and domestic

and overseas trade and cooperation have all been expanded into regions including the Americas, the Middle East, Russia, and Asia-Pacific.

1.2. ESG Concept and Management

Hilong upholds the concept of sustainable development and actively engaged in environmental protection, energy savings, taking care of employees and community harmony fostering. In addition, Hilong initiates listening to the opinions and aspirations of the stakeholders and then responds in various ways. Hilong pursues sound performance, advanced service and technology research and development while expects to be a leading example for the entire industry through exercising corporate social responsibility with actions, to promote harmonious development of the Company, environment and the society.

1.3. ESG Organization Structure

To fully implement the concept of sustainable development and effectively promote ESG management of the Company, Hilong appoints the Board as the highest decision-making level of ESG management to provide the strategic guidance for the overall ESG management of the Group. Meanwhile, relying on the current management and organization structure, Hilong identifies and refines the management functions of various departments, and it pursues targeted management to various aspects of ESG through production safety and environmental protection department, human resources department, material management department, audit monitoring department, technology quality department and corporate culture department, etc.

1.4. Substantial Assessment

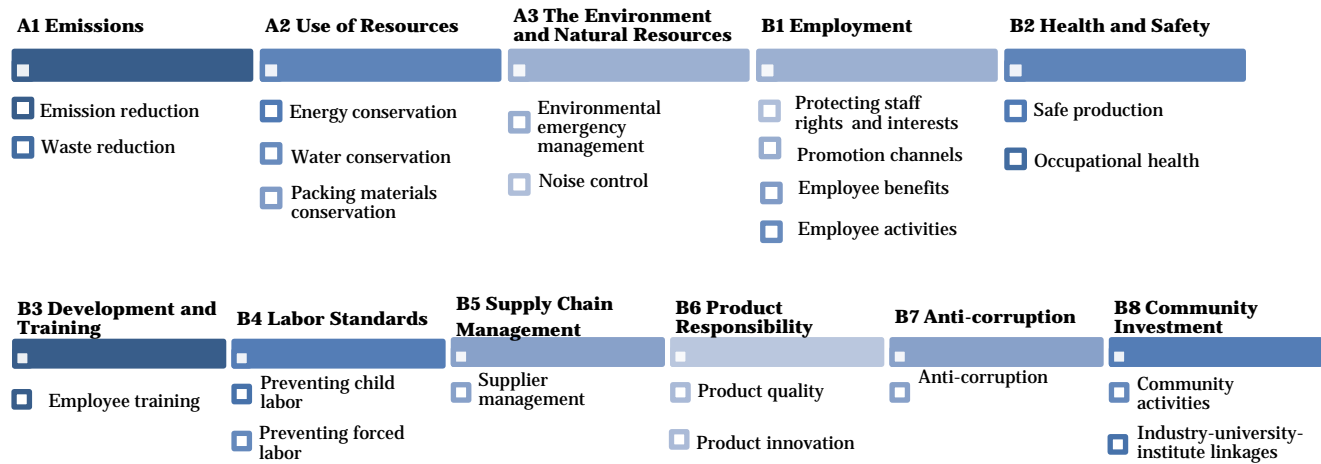
1.4.1. Communication with Stakeholders

The Group adopts a diversified communication mechanism to communicate with all the stakeholders involved and proactively respond to their expectations of the Group.

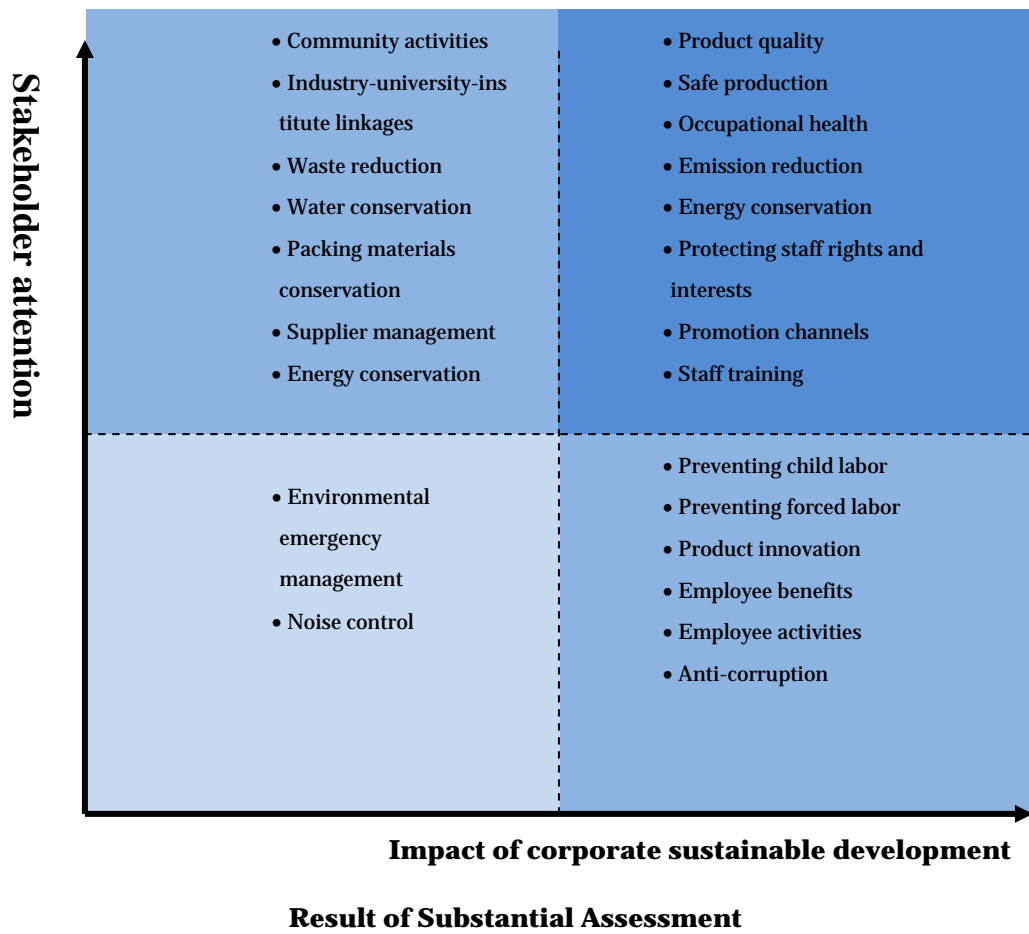
Stakeholders	Communication Mechanisms	Expectations of Stakeholders
Government and Regulatory Authorities	<ul style="list-style-type: none"> • Daily management • Meetings • Monitoring and inspection • Policy advice • Case reporting 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Pay taxes according to law • Support local development
Shareholders	<ul style="list-style-type: none"> • Shareholders' general meetings • Information disclosure • Activities promoting investor relations 	<ul style="list-style-type: none"> • Continued development and return to shareholders • Information disclosure and investor relations • Corporate governance and risk control
Clients	<ul style="list-style-type: none"> • Signing of contract • Business dealings 	<ul style="list-style-type: none"> • High-quality products • High-quality services before and after sales
Employees	<ul style="list-style-type: none"> • Employee training • Employee activities and employee care • Performance Management • Corporate internal publications 	<ul style="list-style-type: none"> • Remuneration and benefits • Good work environment and development platforms • Equal opportunities for promotion and development • Smooth communication channels
Media	<ul style="list-style-type: none"> • Business interview • Promotion of corporate culture • Theme activities 	<ul style="list-style-type: none"> • Performance of corporate social responsibility • Having a good knowledge of initiatives for corporate significant events and activities
Partners	<ul style="list-style-type: none"> • Negotiation and communication • Supplier assessment and evaluations • Open bidding and tendering • Communication and visitation 	<ul style="list-style-type: none"> • Keep promises • Equal, open and fair procurement • Mutual benefit development
Community and Society	<ul style="list-style-type: none"> • Industry-university-institute linkages • Establishment of education base • Community activities 	<ul style="list-style-type: none"> • Promote urban development • Raise public awareness • Promote development of harmonious community
Environment	<ul style="list-style-type: none"> • Emission under standard thresholds • Energy saving and emission reduction 	<ul style="list-style-type: none"> • Promote environmental protection • Protect eco-balance

1.4.2. Substantial Assessment

In accordance with the “ESG Guide” issued by The Stock Exchanges of Hong Kong Limited, the Group constructed the ESG substantial analysis model, which identifies and determines significant issues appropriate for the Group when taking into consideration the stakeholders’ concerns:



Through identification, assessment and selection of issues regarding the required 11 aspects, the Group measures the impacts of these issues on stakeholders and its sustainable development, determines issues of significance and makes disclosures and responses to such issues in this report.



2. Environmental Protection

With the development of its businesses, the Group has expanded its services to many countries and regions at home and abroad. Domestically, it has successively established production bases in Shanghai, Jiangsu, Tianjin, Shandong, Shanxi, Shaanxi, Northeast China, and Sichuan and other provinces and cities. Internationally, it has developed a number of international businesses in the Americas, the Middle East, Russia and Asia Pacific, etc. The Group adheres to the HSE policy of “People First, Health First, Safety First, Environmental Protection First” and firmly complies with the laws, regulations and emission standards of the countries and regions where it operates, as well as the requirements of the international conventions, and it also keeps good communication with local regulators and centrally manages all domestic and international projects.

The Group formulated Hilong Holding Environmental Protection & Energy Conservation Management Policy in accordance with Environmental Protection Law of the People’s Republic of China and other domestic and international laws and regulations for regulating environmental protection and energy conservation. The Group has established the Occupational Health, Safety and Environmental Protection Committee (the “HSE Committee”) to centrally manage the Group’s occupational health, safety and environmental protection. It has set up the Production Safety and Environmental Protection Department in charge of environmental supervision and management, energy use control as well as tracking and assessing progress of environmental work plan of all subsidiaries, etc. It also has set up a safe environment office in each business division where there are dedicated employees taking charge of environmental protection.

2.1. Emissions

According to the requirements of environmental management system GB/T24001-2004 and ISO14001-2004, subsidiaries of the Group have established a sound environmental management system and have set up and executed corresponding environmental supervising and monitoring procedures for assessing and reporting environment conditions regularly, all in

order to make efforts in improving the ecological environment. The Group invites the regulatory authority in charge of environment monitoring to conduct test on emissions and prepare monitoring reports regularly each year. Production safety and environmental protection department conducts unified inspection over all production units in Shanghai every year and conducts monthly inspection over Baoshan Industrial Zone and occasionally conducts unscheduled on-the-spot inspections. Production safety and environmental protection department also requires subsidiaries' safety and environmental protection offices in other areas to take responsibility for their respective environmental inspections. If any problem is found, corresponding correctional measures should be taken to complying with the emission standard. The Group has set up specific environmental protection indicators in the appraisal indicator system for members in various business divisions and their managements to procure each business division to put more emphasis on emission management.



Environmental Management System Certificate for Subsidiaries

2.1.1. Waste Gas Emissions

Our waste gas emissions mainly comprise volatile organic compounds (“VOCs”) generated in the petrochemical production process and industrial dust from steel pipe grinding, powder coating, etc. The Group has complied with the Air Pollution Prevention and Control Law of the People’s Republic of China (《中華人民共和國大氣污染防治法》) and other laws and regulations at home and abroad by installing corresponding environmental protection facilities to collect and tackle such waste gases and make them comply with the emission standard before being discharged to the atmosphere.



Environmental protection equipment
for VOCs removal



Environmental protection equipment for dust collecting

Case: Dust Remover Modification of Shanghai Hilong Shine New Material Co., Ltd.

In 2016, the Group's subsidiary Shanghai Hilong Shine New Material Co., Ltd. had modified the dust remover in the powder workshop, which greatly enhanced the effectiveness of dust remover and significantly reduced dust emission.



Dust remover before modification



Dust remover after modification

Case: Technical Renovation of Shanghai Hilong Drill Pipe Co., Ltd.

In 2016, the Group's subsidiary Shanghai Hilong Drill Pipe Co., Ltd. undertook a series of projects on emission reduction and improvement, including installing new smoke remover equipment in the part of hardbanding welding machines and refining production technology and process, removing shot



blasting and demolishing original sandblasting equipment, to effectively control the industrial

dust and reduce waste gas emission.



Sandblasting equipment before demolishing



Sandblasting equipment after demolishing

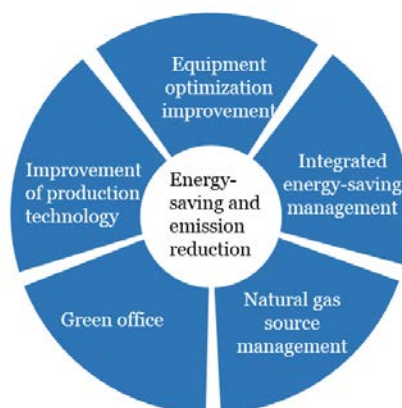
2.1.2. Waste Water Emissions

The waste water discharged by the Group mainly includes oil-containing waste water generated in the production process and domestic sewage generated from working and living in the factory. The Group has complied with the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》) and Waste Water Quality Standards for Discharge to Municipal Sewers (《污水排入城鎮下水道水質標準》) and other laws, regulations and discharge standards at home and abroad by treating oil-containing waste water as hazardous waste and hiring qualified professional agencies for unified treatment of such waste water. Recycled water is used in general production but not discharged to the outside while domestic sewage is discharged directly into the municipal sewage pipe network.

Competent government departments conduct supervisory monitoring against the water quality of the sewage outfall annually. The Group hires third party organizations to carry out sampling in the outfall for monitoring annually to effectively control the data for sewage discharge.

2.1.3.Greenhouse Gas

The Group's greenhouse gas emissions primarily include Scope 1- direct greenhouse gas emissions and Scope 2- energy-related indirect greenhouse gas emissions. The direct emissions mainly include the emissions from the use of fuels in heat treatment process and emissions from the combustion of petrol and diesel of vehicles; energy-related indirect emissions mainly include the emissions from purchased electricity. Given that the greenhouse gas emissions are mainly from energy consumption, the Group proactively encourages green office and green production, conducts energy-saving retrofit projects and adopts energy saving measures to reduce the energy usage, thus reducing the greenhouse gas emissions.



2.1.4.Solid Waste Emission

The Group's solid waste emissions primarily include general industrial wastes and hazardous wastes generated during production, as well as consumer wastes generated from office life in factory.

The Group sells the recyclable parts of the solid wastes, such as scrap steel pipe, to qualified enterprises for recycling, entrusts professional bodies with relevant qualifications to deal with other

unrecyclable general industrial wastes and entrusts the municipal sanitation department to collect and deal with the consumer wastes.

The Group's hazardous wastes primarily include oily wastewater, waste mineral oil, coating packaging materials and coating wastes generated during production. The Group complies with the "Law on the Prevention and Control of Environmental Pollution by Solid Waste" (《固體廢物污染環境防治法》) and other relevant national and international laws and regulations, and the Group sets up particular storage sites to store hazardous wastes and employs qualified professional bodies for unified treatment.



2.2. Use of Resources

2.2.1. Energy Saving

The energy used by the Group mainly includes the natural gas used in the heat treatment process, the petrol and diesel consumed by forklifts, and the electricity used in production and office life. According to the “Energy Conservation Law of the People’s Republic of China” (《中華人民共和國節約能源法》) and other relevant national and international laws and regulations, the Group is responsible for the energy-saving work of the whole Group through its production safety and environmental protection department, and has developed “Environmental Protection and Energy Conservation Management System” (《環保節能管理制度》), to carry out unified management of the Company’s energy-saving work. Each business division sets up an energy office and is responsible for their respective energy-saving work. Production safety and environmental protection department is responsible for calculating the energy usage on a monthly basis, promoting green office and green production, as well as conducting energy-saving retrofit projects to reduce energy consumption.

Case: Energy-saving Retrofit of Shanghai Hilong Drill Pipe Co., Ltd.

In 2016, Shanghai Hilong Drill Pipe Co., Ltd., a subsidiary of the Group, conducted various energy-saving retrofit work, including energy-saving management of air compressor, optimization management of use



Lamp before retrofit



Lamp after retrofit

of natural gas in production line and energy-saving project of lighting system, effectively reducing the consumption of electricity and natural gas.

2.2.2. Water Saving

The Group strictly complies with the “Water Law of the People’s Republic of China” (《中華人民共和國水法》) and other relevant national and international laws and regulations, and it subjects itself to the requirements of Environmental Protection and Energy Conservation Management System (《環保節能管理制度》), requesting the relevant departments in charge to

regularly calculate the water usage on a monthly basis and striving to promote water-saving. During production, the Group recycles the reverse osmosis water and cooling water in workshops, and it regularly inspects the water system to prevent leakage and to reduce the water consumption during production.

2.2.3. Packaging Materials Saving

The packaging materials used by the Group primarily comprise the iron packing belts and packing frames used in the stock-out and transportation processes of finished products. The Group recycles these packaging materials, effectively reducing the consumption of packaging materials.

2.3. Environment and Natural Resources

2.3.1. Environmental Emergency Management

The Group has been improving emergency management mechanisms of the Company and enhancing the ability and coordination level in handling the emergency response and rescue of emergencies. In accordance with “Notice on Issuing the Interim Measures for the Administration of Contingency Plan for Environmental Emergencies” (《關於印發突發環境事件應急預案暫行管理辦法》) and “National Contingency Plan for Environmental Emergencies” (《國家突發環境事故應急預案》) issued by the Ministry of Environmental Protection and other requirements of national and international laws and regulations, and also subject to production processes, pollution-generating sectors and environmental risks, each subsidiary developed corresponding contingency plans for environmental emergencies, such as “Special Contingency Plan for Environmental Emergencies of Hilong Oil Service & Engineering Co.,Ltd.” (《海隆石油技術服務有限公司環境突發事件專項應急預案》) and “Contingency Disposal and Rescue Plan for Environmental Pollution Emergencies of Shanghai Hilong Shine New Material Co., Ltd.” (《上海海隆賽能新材料有限公司環境污染事故應急處理與救援預案》), enabling the Company to conduct governance and rehabilitation work to significant environmental pollution sources promptly, efficiently and orderly, prevent continuous significant environmental pollution sources in time and minimize the environmental pollution.

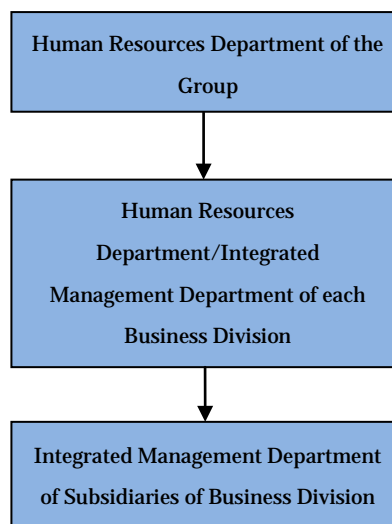
Each subsidiary has established a Environmental Emergency Contingency Headquarter, set up corresponding emergency facilities and reserved sufficient emergency supplies. It regularly conducts emergency drills, and implements preventive, early-warning and emergency measures, for realizing the whole process control from the source to the end, effectively preventing the occurrence of environmental emergencies and reducing environmental risks.

2.3.2. Noise Control

Noises from the Group primarily include operation noises generated by various machines and equipment, aerodynamic noises generated by machines like blowers and air compressors, and transient high-decibel metal collision noises generated by loading and unloading of steel pipes. In order to reduce the impact of noises on the employees, the Group provided them with protective products and controlled the sources of noise pollution by selecting and using low-noise level equipment, reasonably arranging the equipment in the workshop, and installing vibration pads or vibration dampers, equipping blowers with silencers and wrapping up ducts. As for metal collision noises, the Group tried its best to reduce noises generated by steel pipe processing by winding coarse hemp ropes in both sides as well as the middle of incoming steel pipes and enhancing onsite management and the workers' standardized operation during the loading and dropping of the steel pipes. The Group has employed a qualified third-party service agency to carry out regular monitoring on noises at boundary, which does not exceed the standard 3 limits set by Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》) (GB12348-2008).

3. Employee Caring

The Group has established a sound human resources management structure to conduct its human resources management work at three levels, namely, the Group, the Business Division and subsidiaries of Business Division. In 2016, the Group continued to create a favourable working environment for employees, protected their legitimate rights and interests, provided comprehensive promotion channels and training system, adopted various systems to protect their health and safety, and actively organized activities to motivate them to grow with the Group.



Human Resources Management Structure

3.1. Employment

The Group has complied with the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), "Labour Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》) and other relevant laws and regulations and formulated a series of human resources management system like "Employment Management System" (《員工聘用管理制度》), "Attendance Management System" (《考勤管理制度》) and "Holiday Management System" (《假期管理制度》) to regulate employment activities.

3.1.1. Recruitment and Dismissal

At the beginning of each year, the Group formulates "Annual Plan of Campus Recruitment" (《年度校園招聘計畫》) and "Annual Plan of Social Recruitment" (《年度社會招聘計畫》) to carry out social recruitment and campus recruitment in accordance with these two plans and the "Employment Management System". The Group focuses on social recruitment and adopts other channels like network recruitment, talent market recruitment, professional intermediary, headhunting recruitment, media advertising, internal recommendations to introduce talents into the Group.

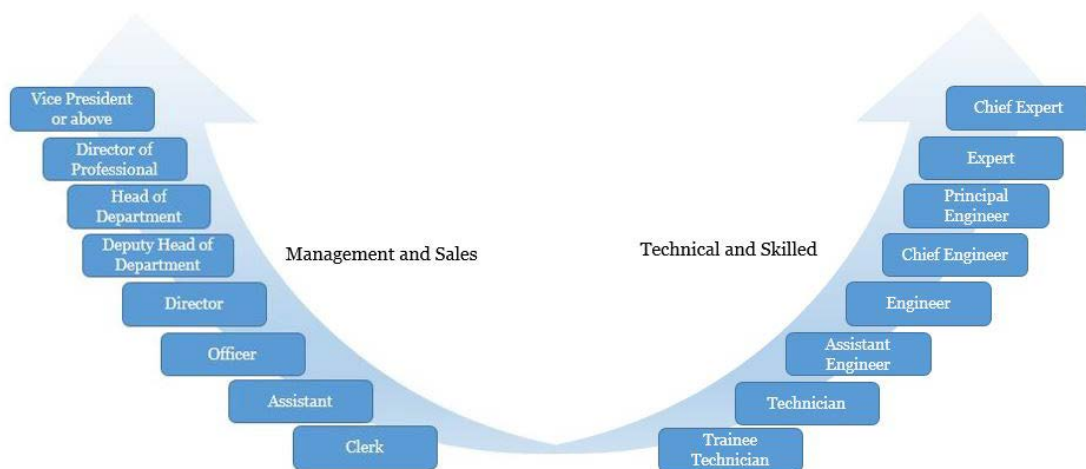
The Group's recruitment and introduction follow the principles of "hierarchical management and division of responsibility":

- Human Resources Department of the Group: mainly responsible for the recruitment of vice president or above of subsidiaries, overseas sales personnel, management and technical personnel like director of new project or above and the talents required for each department of the headquarter of the Group;
- Human Resources Department/Integrated Management Department of each Business Division and Integrated Management Department of subsidiaries of Business Division: mainly responsible for the recruitment of department head or below of subsidiaries and the recruitment of vice president or above of subsidiaries as delegated and authorized by the group.

The Group has formulated the "Employee Demission Management System" (《員工離職管理制度》), which specified the conditions of employee resignation and corporate dismissal as well as the specific process of employee demission.

3.1.2. Employment and Promotion

According to the nature of the job and the different requirements of jobholders, the Group sets up two major categories (management and marketing, and technical skills) and four sequences (management talent, marketing talent, professional and technical personnel, and operational skills) of career development channel and set the corresponding ranks for these two major categories.



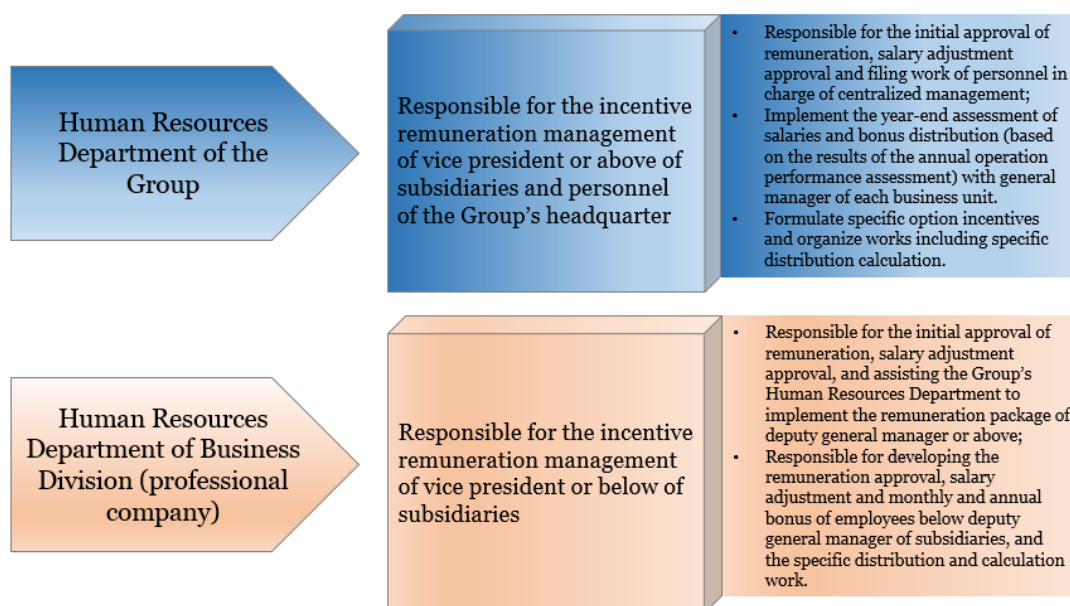
Two Major Categories of Career Development Channels

The Group formulated "Management Measures for Accreditation and Appointment of Professional and Technical Personnel" (《專業技術人員任職資格評審及聘任管理辦法》), which made detailed provisions on the accreditation and appointment of professional and technical personnel. The Group also formulated "Management Measures for Skill Rating of Frontline Production Operators and Appointment of Technician" (《一線生產操作員工技能等級評定及技師聘任管理辦法》), which improved the career development channel of frontline production operators.

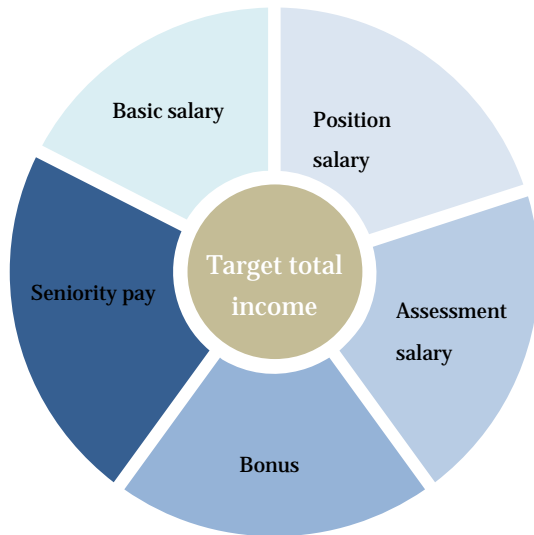
Based on the "Basic System of Performance Appraisal and Management" (《績效考核管理基本制度》), the Group conducted the performance appraisal of the previous year at the beginning of each year and offered opportunities for excellent and good employees for promotion. Meanwhile, all the directors evaluated the development potential of their subordinates and adopted the evaluation results as the basis of promotion, talent selection and training.

3.1.3. Salary and Benefits

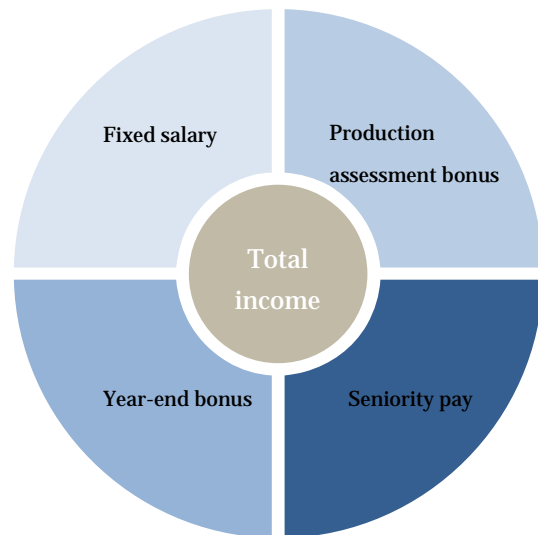
The Group's incentive remuneration management implements "hierarchical management and division of responsibility". The Human Resources Department of the Group and Human Resources Department of Business Division (professional company) are responsible for the corresponding levels of incentive remuneration management.



The Group has formulated "Basic System of Salary Management" (《薪酬管理基本制度》) to provide different remuneration systems for employees with different positions and to provide them with a competitive remuneration package in accordance with the principles of equal pay for equal work, fairness and reasonableness, incentive and ease.



Compensation composition and assessment encashment of deputy general manager or above of subsidiaries



Compensation composition and assessment encashment of deputy general manager or below of subsidiaries

The Group signed labour contract with its employees in accordance with the relevant national and local laws, regulations and policies, and pay the social insurance premiums for employees. The employees of the Group also enjoy the following benefits:

- | | |
|--|---|
| Free air conditioning shuttle bus | Personnel above department head level can enjoy communication subsidies including general employees |
| Free working meal during work | Annual physical examination |
| Birthday cards and shopping cards given at employee's birthday | Festival allowance or gifts on major festivals such as Spring Festival, May |

The Group has set up the "Haizhou • Fund of Comprehensive Arrangement for Serious Disease" (海洲•大病統籌基金) and formulated the "Management Measures for the 'Haizhou •

Fund of Comprehensive Arrangement for Serious Disease” (《“海洲•大病統籌基金”管理辦法》), which helps the employees with serious diseases and their families to cope with their troubles.

3.1.4. Working Hours and Holidays

The Group strictly abided by state regulations and developed the “Attendance Management System” (《考勤管理制度》) and the “Holiday Management System” (《假期管理制度》), which provide the following.

- The Group implemented a working hour system which combines standard working hours, consolidated working hours and irregular working hours; with 5 working days per week and 8 working hours per day. Employees who worked overtime should apply to the department heads for approval, and the operation staff have their overtime pay calculated and released within the same month; employees with general management and technical positions were arranged for leave in lieu of overtime pay during the current quarter, and for those who cannot take leave, overtime pay was calculated and released at the end of the quarter.
- Employees of the Group can enjoy legal holidays, annual leave and other holidays. For management personnels (vice president or above and chief engineer or above of subsidiaries) whose spouses live in a separate places can enjoy 20 days of paid leave each year.

3.1.5. Employee Activities

In order to enrich the employees’ leisure life and enhance their physical and mental health, the Group organized a wide variety of employee activities, and issued a publication “THIS IS HILONG” (《海隆人》), aiming to promote the corporate culture to its employees.

In 2016, the Group held sports games and organized employees to participate in various activities in the Baoshan District and Shanghai.





Ceremony Performance



Sports meeting – Tug of war



5 km Race in Baoshan Industrial Zone

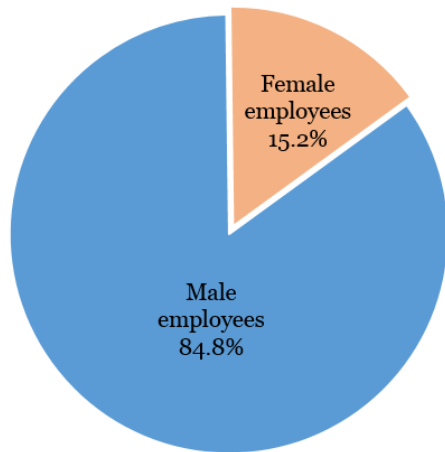


Shanghai Workers Basketball League

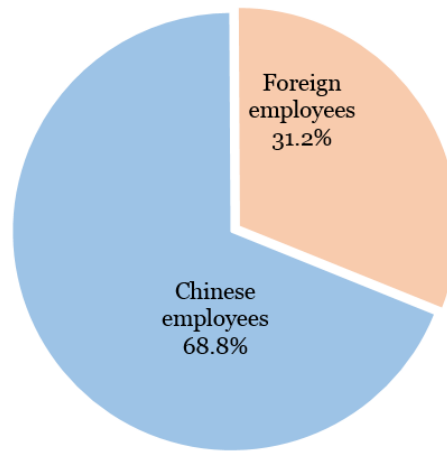
3.1.6. Anti-discrimination and Diversification

The Group recruits employees on a selective basis in accordance with the principles of fairness, impartiality and openness. At the same time, the Group strictly abides by the national and local laws and regulations and respects all employees, irrespective of race, gender, color, age, family background, national tradition, religion, physical fitness and original nationality, so that employees can enjoy fair treatment in recruitment, labor, salary, training, promotion and compensation.

By the end of December 2016, the proportion of male employees in all employees of the Group was 84.8%, while the proportion of female employees was 15.2%; and the proportion of Chinese employees was 68.8%, while the proportion of foreign employees was 31.2%.



Hilong Gender Proportion



Hilong Nationality Proportion

3.2. Health and Safety

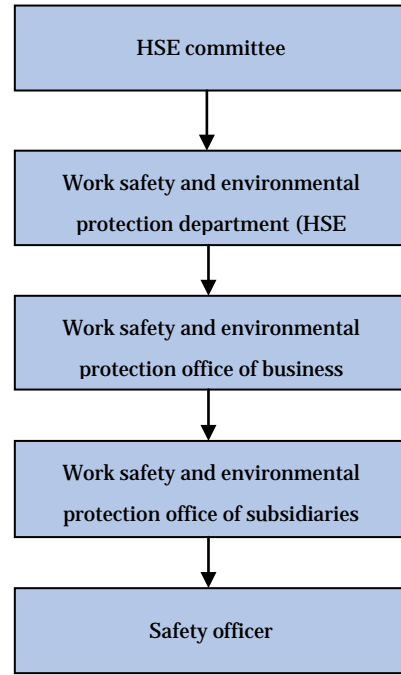
In strict compliance with “Labor Law of the People’s Republic of China” (《中華人民共和國勞動法》), “Law of the People’s Republic of China on Work Safety” (《中華人民共和國安全生產法》), “Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases” (《中華人民共和國職業病防治法》), “Regulations of Shanghai Municipality on Work Safety” (《上海市安全生產條例》), and other relevant laws and regulations both domestic and overseas, the Group devotes itself to providing the employees with a healthy, safe and comfortable working environment.

3.2.1. Work Safety

As a manufacturing enterprise, safety is the most important aspect for the Group. In compliance with the working policies on work safety of “Safety First, Precaution Crucial, Comprehensive Treatment”, each business division and subsidiary of the Group has formulated a series of safety systems and has formed a sound work safety mechanism to conduct enterprise work safety standardization thoroughly, thereby enhancing work safety management and reducing the occurrence of safety accidents.

The Group has established the HSE committee, setting up a sound management and organization framework for work safety at all levels and strictly controlling work safety:

- The Group sets performance appraisal indicators including work safety indicators for each business division and its management team members at the beginning of each year;
- Each business division and subsidiary sets work safety goals including indicators and management work relating to work safety every year;
- The general manager of each business division and subsidiary enters into a “Letter of Responsibility for Work Safety” (《安全生產責任書》) with the first person responsible for work safety in each department, such that work safety targets should be achieved by the head of each division and each department;
- Each department strictly performs each indicator under “Work Safety Targets” (《安全生產目標》), and earnestly meets the work safety targets of each department;
- Each subsidiary gathers statistics on occupational health, safety and environmental protection and reports the statement of the occupational health, safety and environmental protection to the Group on a monthly basis.



Management and organization framework for safety

In 2016, the Group continued to improve safety. Over 90% subsidiaries passed the certification of work safety standardization and were awarded corresponding certificates.



Special Topic : Safety Management of Hilong Petroleum Offshore Engineering Limited

Hilong Petroleum Offshore Engineering Limited (hereafter referred to as “Offshore Engineering Company”), a subsidiary of the Group, is responsible for the operation and maintenance of its self-owned offshore petroleum pipe-laying barge and offshore engineering services like offshore petroleum pipe-laying. It attached great importance to operational safety in its daily work and carried out trainings and drills regularly to prevent accidents.

In 2016, Offshore Engineering Company held a total of 26 safety meetings, 516 pre-shift and off-shift meetings, and carried out 7 risk assessments, 10 operation safety analyses, 281 safety inspections, 595 employee trainings and 8 drills in aggregate, and there was no material accident.



Occupational Health, Safety and Environmental Training



First Aid Drill



Centralized Drill



Fire Drill

Special Topic: Fire Safety

The Group attaches great importance to fire safety by establishing a voluntary fire brigade, purchasing fire-fighting equipment and carrying out regular fire trainings and fire drills so as to reduce fire risk.



Fire-fighting Equipment



Fire Drill

3.2.2. Occupational Health

The Group attaches great importance to the health of its employees, and each business division and subsidiary has established management systems for occupational health to safeguard the occupational health of its employees, such as the establishment of the “Occupational Health Management System” (《職業衛生管理制度》) and the “Provisions on the Administration of Labor Protection Articles” (《勞動防護用品管理規定》) by Shanghai Hilong Shine New Material Co., Ltd..

The occupational health hazards of the Group mainly include the noise and dust produced in the process of production. The Group reduces the impact of noise and dust on employees' occupational health effectively through distributing labor protection articles and installing precipitators. In accordance with relevant provisions in the “Provisions on the Supervision and Administration of Occupational Health at Work Sites” (《工作場所職業衛生監督管理規定》), the Group commissions occupational health technical service organizations with relevant qualifications to assess the current condition of occupational disease hazards every three years and implements the proposals and measures proposed in the assessment report; pursuant to the “Administrative Regulations on Periodic Testing of Occupational Disease Hazards by Employers” (《用人單位職業病危害因素定期檢測管理規範》), the Group conducts a comprehensive inspection on work sites where the occupational disease hazards

exist on a yearly basis and if the testing result shows that the concentration or intensity of occupational disease hazards exceeds the occupational exposure limit, the Group would formulate proposals in a timely manner and rectify the situation immediately.

For employees at posts exposed to occupational disease hazards, the Group has made occupational health records for them, informing them of occupational disease hazards prior to their joining the Group and arranging a pre-post physical examination before they start work on the post, an annual occupational health physical examination when they work on the post and a terminal physical examination after they leave the post, and all physical examination results were entered into occupational health records in time and provided to the employees for a full understanding of their occupational health conditions. In addition, the Group carries out occupational health trainings regularly and sets up a bulletin board at an eye-catching place, announcing rules and regulations, operational instructions in relation to occupational disease prevention, emergency rescue measures for occupational disease hazard accidents, testing results of occupational disease hazards at the workplace and corresponding preventive measures.

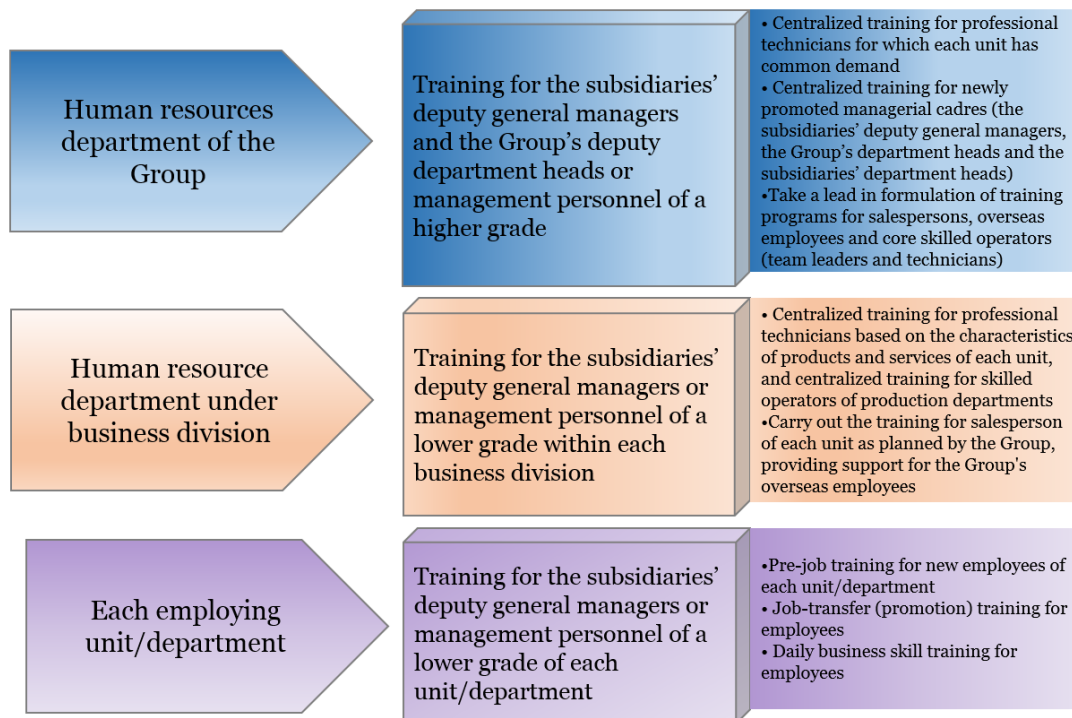
Case: Occupational Health Training

In July 2016, in the form of interactive answer and written examination, Shanghai Hilong Drill Pipe Co., Ltd. conducted educational training on occupational health hazards and preventive measures and awareness for all employees, which effectively improves the employees' self-protection awareness towards occupational health and safety.



3.3. Development and Training

The Group has formulated the “Staff Training and Management Systems” (《員工培訓管理制度》), forming a unique and hierarchical training system.



The Group is committed to providing a variety of trainings for employees:

- Internal training: pre-job training, job-transfer (promotion) training, business skill training, etc.;
- External training: Each employee can apply for external training due to work requirements if there is no arrangement for relevant trainings by the Company.

The specific training programs, training courses and training objects are set out in the following chart:

Training programs	Training courses	Training objects
Management team training	Order-style training for core senior management	General managers of business segments (including institute head), the Group's vice president, management personnels holding a deputy or higher grade position of business segments
	Internal MBA training program	Those holding a chief or deputy position of the subsidiaries, the Group's department head, excellent department head of the subsidiaries
Centralized training for professional and technical talent team	R&D talent training	Institute head and deputy head, major responsible persons (including the chief engineer) and cadres of the R&D department
	Training for professional technicians	Production management professionals (deputy general managers responsibility for

	in production management	production, production department (workshop), responsible persons and key employees of technology quality department of each unit within the Group
	Centralized training for professionals in human resources	Deputy general managers responsible for human resources, responsible persons of human resources department, payroll specialists, responsible persons and core employees of finance-related departments of each subsidiary within the Group
	Centralized training for professionals in administrative back office	Deputy general managers responsible for administrative logistics, responsible person and core employees of administrative back office department of each unit within the Group
Centralized training for sales talent team	Centralized training for sales talent team	Salespersons of each business unit (deputy general managers responsible for sales, regional managers, salespersons)
Training for overseas talent team	Training for overseas talent team	Those holding a chief or deputy position of overseas factories/trading companies
Training for skilled operator talent team	Training for skilled operator talent team	Grassroot leaders of the production department of each unit within the Group



Learner discussion



Learner discussion



Case analysis



Graduation test

3.4. Labor Standards

In strict compliance with the laws and regulations such as the “Labor Law of the People’s Republic of China” (《中華人民共和國勞動法》) and the “Provisions on the Prohibition of Using Child Labor” (《禁止使用童工規定》), the Group has formulated the “Employee Employment Management System” (《員工聘用管理制度》), stipulating in its appendix “Employment Standards for New Employee” (《新員工錄用標準》) that the Group prohibits the use of child labor by not engaging new employee under the age of 18.

The Group strictly complies with the statutory working hours and controls the overtime work to ensure the rest and the physical and mental health of employees. If the jobs entail the overtime work of employees during public holidays, the employees are entitled to take deferred holidays or be paid overtime wages according to law, and such overtime wages during the statutory holidays are based on the local minimum standard wages and in compliance with national regulations. Forced labor is not allowed.

4. Operating Practices

4.1. Product Liability

The Group has strengthened its control over product quality in accordance with its policies on quality and in strict compliance with the “Product Quality Law of the People’s Republic of China” (《中華人民共和國產品質量法》) and other relevant laws and regulations at home and abroad.



The business divisions and subsidiaries of the Group have established a sound quality management system on which annual audit would be conducted as scheduled, and they have passed such certifications as ISO9001 and NS-1, such that consumers are provided with safe and high quality product and service.



Special Topic: Product Innovation

The new linkage technology of the oilfield gathering pipeline developed by the Group has realized the full coverage of the inner anticorrosive coating in the gathering pipeline, solving the problems from the absence and omission of protection of the welds inherent in the linkage technology when welding the traditional gathering pipeline, improving weak links in the inner coating in the weld of gathering pipeline as well as greatly enhancing the safety performance and service life of the gathering pipeline under the harsh environment. Currently, such new technology has been used in a number of projects.



Tin-free self-polishing antifouling coating, developed by the Group, has achieved environmental friendliness and long-term antifouling through the synergy between high solid

and low viscosity copper acrylate polymer and acrylic polysiloxane, and at present it has been successfully applied to the coating of the entire newly-built ship.



Customer Service

The Group has formulated the "Customer Service Management System" (《客戶服務管理制度》), which effectively controls the customer service work and provides highly satisfactory services to customers by defining the service standards and handling customers' complaints in a timely manner; it continues to improve the product quality and customer services level by carrying out customer satisfaction surveys and customer return visits from time to time, considering views from customers and analyzing the Group's shortcomings. The Group also protects customers' privacy by regarding their information as company secret and keeping it secure through proper measures.

4.2. Property Right Protection

The sales of the Group's products were mainly conducted through direct visits to customers and participation in exhibitions without advertising, therefore there was no policy concerning advertising management.

The Group has complied with the "Trademark Law of the People's Republic of China" (《中華人民共和國商標法》), the "Regulations for the Implementation of the Trademark Law of the People's Republic of China" (《中華人民共和國商標法實施細則》) and other relevant domestic and overseas laws and regulations, and has formulated the "Management System for Trademark Use" (《商標使用管理制度》) to carry out the registration, maintenance and

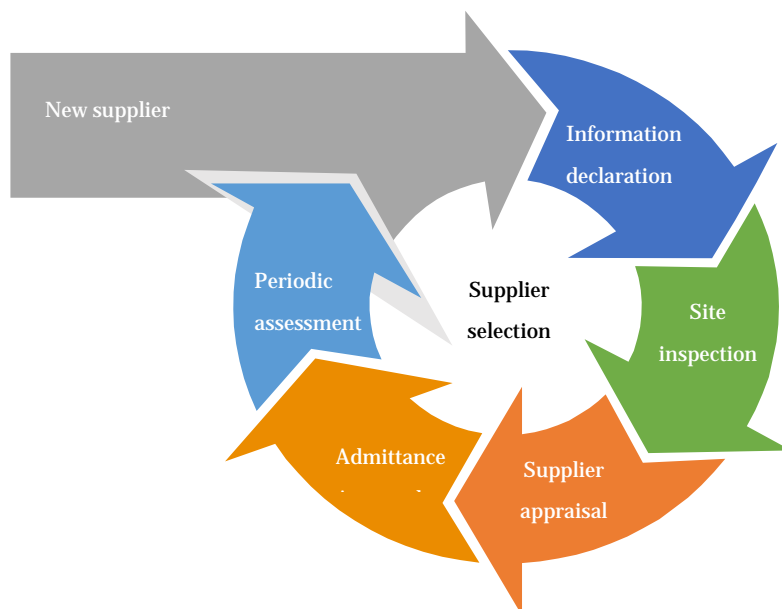
utilization of trademarks according to laws, create trademark archives, strengthen trademark management, establish and maintain the Group’s corporate reputation, and enhance brand value.

The Group has made detailed regulations on the application of corporate image through formulating the “Management Regulations on the Use of Corporate Image VI” (《企業形象 VI 使用管理規定》), “Corporate Image Visual Identity System (VI) - Basic Specification”, “Application Specification for Business Card VI” and “Application Specification for Business Brochure VI”, etc. to achieve the standardization, unification and normalization of the corporate image management.

4.3. Partnership

The Group strives to build an open, transparent and responsible supply chain by transmitting the environmental and social risk policies to suppliers and sharing the concepts of safety, health and anti-corruption, etc. with them through diverse channels and ways. The Group has formulated the “Supplier Management System” (《供應商管理制度》) to screen qualified suppliers and follow up to enable them to provide qualified products and services to the Group and to strengthen the positive impact of the industrial chain on the society and environment.

The Group requires suppliers to provide their ISO14001 environmental management system certificate at the time of declaring information and reviews it at the time of site inspection and periodic assessment, which is regarded as one of the conditions for supplier admittance. The Group requires suppliers to meet the



requirements of local laws and regulations and industry standards on environment. No supplier was accepted if it fails to comply with those requirements.

“Regulations for the Implementation of the Supplier Management” (《供應商管理實施細則》) provides that in an event of fraud, forgery and bidder collusion, and bribery in the names of commission, rebates, consulting fees, intermediary fees and others to the materials management department of the Group and other departments and their employees, and other violations of national laws and regulations and related requirements committed by the suppliers, the Group should cancel their supplier qualifications.

4.4. Anti-corruption

The Group complied with the “Company Law of the People's Republic of China” (《中華人民共和國公司法》), the “Tender and Bidding Law of the People's Republic of China” (《中華人民共和國招標投標法》), the “Anti-unfair Competition Law of the People's Republic of China” (《中華人民共和國反不正當競爭法》), the “Interim Provisions on the Prohibition of Commercial Bribery” (《關於禁止商業賄賂行為的暫行規定》) and the “Anti-money Laundering Law of the People's Republic of China” (《中華人民共和國反洗錢法》) and other relevant national laws and regulations, and formulated a series of audit monitoring systems according to the “Audit Law” (《審計法》) and the “Requirements on the Establishment of Sound Internal Audit System” (《關於建立健全內部審計制度的規定》) published by the National Audit Office, including the “Management System for Audit Department” (《審計部管理制度》), “Regulations for the Implementation of the Audit Work” (《審計工作實施細則》), “Management System for Fraud and Irregularities” (《舞弊及違規行為管理制度》), “Clean Government Self-Discipline Standard” (《廉政自律規範》), etc., and set up an Audit and Supervision Department which was responsible for internal audit work, and it prohibited employees from bribery, extortion, fraud and money laundering behavior.

The Group required the staff to comply with the Company's code of conduct and code of ethics and the laws and regulations related to the state and industry, and reported the case to the Audit and Supervision Department by hotline, email and other proper channels once any fraud was discovered. The Audit and Supervision Department conducts an investigation into the report and report it to the management or the Board of Directors. With regard to

employees who were proven to have committed corrupt conduct, the Group should, in accordance with the relevant provisions, impose corresponding administrative disciplinary actions. In case of violation of the laws, the case should be referred to a judicial organ for handling according to laws.

4.5. Community Investment

The Group has formulated the “Measures for the Administration of Charity and Public Welfare Activities” (《慈善與公益活動管理辦法》), which stipulated the source of fund, fund management, main forms, summary and publicity, assessment, etc. in respect of charity and public welfare activities in detail, so that the charity and public welfare activities were conducted by the Group under a unified specification. In 2016, the Group carried out various activities including community visits, voluntary blood donation, establishment of quality education base and implementation of the integration of industry, academy and research and so on, to promote social development and progress in various aspects and help the economic development of the area where the Group located, and to fulfill the social responsibility that the Group should bear.

Case: Community Visits

In 2016, the Group continued to carry out "Care in Pairs" activities to help difficult elderly in pairs, by caring about their lives and health through regular phone calls; visiting the elderly on important holidays and taking other actions within our ability. In January, three



Party members of the Group arrived in Shangheyuan Community to visit and send their greetings for the Spring Festival to three aided elderly living alone.

Case: Quality Education Base

In August 2016, the Group's Shanghai Hilong Tubular Goods Research Institute (上海海隆石油管材研究所) became the Social Practice Base for Quality Education of Secondary and

Primary Schools in Shanghai. It imparted quality knowledge, quality concept and quality culture to extensive students from secondary and primary schools by taking full advantage of the Group's teaching resources of science and technology, taking product quality education as the breakthrough point and combining theory with practice. In September, the Social Practice Base for Quality Education ushered in the first students.



Case: Voluntary Blood Donation

In 2016, the Group arranged for employees to participate in voluntary blood donation activities in Baoshan District.



Case : Integration of Industry, Academy and Research

Based on the collaborative R&D by the integration of industry, academy and research as well as featured by embedded personnel training, the Group trained high-quality personnel with both theoretical knowledge and practical experience for universities and colleges and companies to facilitate the development of newly emerging industries by cooperating with Shanghai University, University of Shanghai for Science and Technology, East China University of Science and Technology and Tongji University to set up the personnel-training laboratory integrating industry, academy and research.



Case : Assistance for Local Development

The Group built up many production bases overseas, employing local employees, actively training local employees and assisting local economic development.



Appendix I: References to ESG Guide

Aspects	Requirements for General Disclosure	Reporting Index
A1 Emissions	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NO_x, SO_x and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	2.1 Emissions
A2 Use of Resources	<p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	2.2 Use of Resources
A3 The Environment and Natural Resources	<p>Policies on minimizing the issuer's significant impact on the environment and natural resources.</p>	2.3 Environment and Natural Resources
B1 Employment	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	3.1 Employment
B2 Health and Safety	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have</p>	3.2 Health and Safety

	<p>a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	
B3 Development and Training	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	3.3 Development and Training
B4 Labor Standards	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to preventing child and forced labor.</p>	3.4 Labor Standards
B5 Supply Chain Management	<p>Policies on managing environmental and social risks of the supply chain.</p>	4.3 Partnership
B6 Product Responsibility	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters for products and services provided and methods of redress.</p>	<p>4.1 Product Quality</p> <p>4.2 Property Right Protection</p>
B7 Anti-corruption	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	4.4 Anti-corruption
B8 Community Investment	<p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p>	4.5 Community Investment

Appendix II: Reader's Feedback Form

Thank you for reading the “2016 Environmental, Social and Governance (ESG) Report” of Hilong Holding Limited. In order to provide more valuable information to the Group’s stakeholders and improve its ability and level of fulfilling social responsibilities, we would welcome any feedback or suggestions you might have about this report.

You can send this form to any of the following:

Fax: +8621-3385-1886

Postal address: No.1825, Luodong Road, Baoshan Industrial Zone, Shanghai, PRC

1. How would you rate your opinion of the 2016 ESG Report of Hilong Holding Limited?

Very High High Neutral Low Very Low

2. How would you rate your opinion of the economic, social and environmental responsibilities of Hilong Holding Limited?

Economic responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Social responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Environmental responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low

3. Please rate the effectiveness of this Report in reflecting the economic, social and environmental impact Hilong Holding Limited has brought about through its social responsibility practices?

Excellent Good Fair Poor Terrible

4. How would you rate your opinion of the clarity, accuracy and completeness of the information, data and indicators this Report has disclosed?

Clarity	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Accuracy	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Completeness	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low

5. Do you find this Report in easy-to-read contents and formatting?

Yes Neutral No

6. Feel free to share any comments or suggestions you may have on Hilong Holding Limited and this report:

Thank you very much for your gracious gesture and valuable time!