



**Hilong 2017 Annual Revenue Surges 38.4%  
To Approximately RMB2.67 Billion**

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**Rapidly Developed Overseas Oilfield Equipment Market  
Expanded Overseas Onshore Oilfield Services  
Four Business Operations Are On Track Again**

**Financial Highlights (Audited)**

<i>RMB (Million)</i>	12 Months Ended 31 December		
	2017	2016	Change
<b>Revenue</b>	<b>2,669.3</b>	1,929.0	+38.4%
<b>Gross Profit</b>	<b>845.6</b>	666.8	+26.8%
<b>Gross Profit Margin</b>	<b>31.7%</b>	34.6%	-2.9ppt
<b>Profit Attributable to Equity Owners of the Company</b>	<b>119.2</b>	124.6	-4.5%
<b>Basic Earnings Per Share (RMB yuan)</b>	<b>0.0702</b>	0.0735	-4.5%

(Hong Kong, 23 March 2018) - **Hilong Holding Limited** (“Hilong” or the “Group,” stock code: 1623), a leading PRC-based integrated oilfield equipment and services provider, has announced its audited annual results for the 12 months ended 31 December 2017.

In 2017, Hilong has adhered to its integrated oilfield services strategy and grasped the opportunities presented by the global economic recovery, so that business performance can be put on the right track. During the year, revenue increased Y-o-Y by 38.4% to RMB2,669 million in 2017. Gross profit increased Y-o-Y by 26.8% to RMB846 million in 2017. Gross profit margin was 31.7% in 2017. Profit attributable to equity owners of the company decreased 4.5% to RMB119 million in 2017.

**Mr. Zhang Jun, Chairman and Executive Director of Hilong**, said, “In 2017, the strong global economy boosted the demand for oil and the efforts to limit production by the Organisation of the Petroleum Exporting Countries ( “OPEC” ) and Russia remained in place, thus international oil prices continued their upward trend as in the previous year. The world’ s major upstream oil companies maintained their caution about increasing capital expenditures and focused more on the quality and return profiles of their investments. Therefore, the overall market situation has remained challenging. In the face of continuous market changes, Nonetheless, Hilong continued to consolidate its business and expand its international presence. The combination of rapid penetration of continued expansion in overseas oilfield equipment market and overseas land oilfield services segment and securing landmark offshore engineering contracts in Southeast Asia, all enabled the Group to achieve solid performance during the year under review.”

### **Oilfield Services**

Oilfield services generated revenue of RMB881 million in 2017, representing an increase of 24.3% from 2016, primarily resulting from improvement of overall average utilization rate and higher revenue from integrated comprehensive services.

In line with its ongoing efforts to evolve as an integrated service provider, Hilong has secured an integrated technical services contract in Pakistan. This demonstrates that its capability to provide such services is maturing and is accepted and widely recognised by major operators in the industry. The Group has also relocated non-performing rigs from South America to Pakistan to pursue further opportunities. In January 2018, Hilong entered into service contracts for two rigs in Oman with an initial operational period of 10 years which can be further extended for up to five years.

With stabilization in oil prices, the oilfield services segment is expected to benefit from a pickup in drilling services demand. This would improve the utilization rate of Hilong's drilling rigs. Looking to the future, the Group will continue to focus on market expansion and provide high end, featured and customized services. The Group will continue to further implement the strategy of providing integrated services while identifying more business opportunities in Pakistan and other countries. After successfully securing a few contracts, the asset-light nature of technical services is expected to further make its development less dependent on high capital expenditure. The Group is also actively looking to enter the natural gas and renewable energy markets.

### **Oilfield Equipment Manufacturing and Services**

As a major revenue stream, oilfield equipment manufacturing and services segment has laid a solid foundation for the Group. Revenue from the oilfield equipment manufacturing and services segment increased Y-o-Y by 68.5% to RMB1,316 million in 2017. Gross profit margin remained unchanged.

Revenue from sales of drill pipes in the international market increased strongly Y-o-Y by 123.4% to RMB936 million in 2017. The increase primarily reflected a significant increase of 123.0% in the volume of drill pipes sold from 23,138 tonnes in 2016 to 51,600 tonnes in 2017. The increase in the sales volume primarily reflected the larger demand from the Russia and Central Asia market and the enhancement of Hilong's brand recognition there. In addition, the oilfield equipment market in North America has rapidly grown, and revenues from those regions have increased more than doubled.

Revenue from OCTG coating services decreased by 20.1% to RMB162 million in 2017. Costs in coating production reduced significantly during the year through strengthening cost management, increasing production efficiency and replacement with cost-effective abrasives. Leveraging our foothold in Russia's drill pipe market, the Group has held constructive dialogue with major oil companies to expand the OCTG business to that country and has already successfully secured orders of millions of meters of coating with expected delivery in 2018. The revenue from the OCTG production in the US has nearly doubled and its profit has nearly quintupled to RMB11.3 million due to increased efficiency and quality test pass rates.

Wider acknowledgement of the quality of Hilong's high-margin hardbanding wire products and innovation has maintained its pricing power. In particular, the Group has made a breakthrough and satisfied an overseas customer's specification to significantly increase welding thickness from a maximum of 4.0 mm to 7.0 mm.

Due to the fierce price competition in China, the Group believes that the quality of drill pipe and OCTG coating is not highly valued there. However, it has successfully increased its presence in Russia and has relocated an additional production line there. The Group will continue to work closely with customers, explore business opportunities and markets, and take advantage of market trends. It will continue to promote the sales of non-API drill pipe products and also look into high-end products

### **Line Pipe Technology and Services**

Revenue from the line pipe technology and services segment decreased from RMB371 million in 2016 to RMB330 million in 2017. This decrease primarily reflected a decrease in the revenue derived from OCTG coating materials, oil and gas line pipe coating materials and oil and gas line pipe coating services, partially offset by the increase in the revenue derived from CRA-lined pipe and CWC services. The increase in revenue derived from CRA-lined pipe services primarily reflected that its capacities were occupied by the Dongfang 13-2 gas field projects and gas gathering pipeline reconstruction project. The increase in revenue from CWC services mainly reflected that the Group's capacities were occupied by the production for the subsea crude oil pipeline anti-corrosion contract from Zhejiang Petrochemical Co. Limited in 2017. The increase in above two projects demonstrated that the Company's capability in line pipe engineering is accepted and widely recognized by major operators in the industry.

In relation to line pipe anti-corrosive service, the Group strengthened relationships with steel companies in China and successfully obtained several projects including the Sinopec Ri Jing Pipeline Project, Yunnan Energy Investment Project, Pakistan PPL Project, and Indonesia Project. We also signed a strategic cooperation agreement with a leading Chinese pipeline company and are in discussions to establish similar relationships with other companies. Its worth to mention that revenue from CRA lined pipe businesses more than doubled in 2017 to RMB27.0 million, thanks to improvements in domestic market and we will continue to further expand this business. Additionally, a large CWC project contributed revenue of RMB66 million in 2017, representing a 130.9% increase in revenue from CWC services in 2016. Intelligent pipeline inspection in China represents a key growth area for the segment and revenue was nearly doubled from this area in 2017. In overseas markets, following successfully obtaining several certifications, we are now on the qualified suppliers list of customers in Kuwait and the UK.

Looking ahead, with a diversified product portfolio, the line pipe technology segment will continue to provide high end products and services and further pursue internationalization. The Group will work with our current steel company partners and is actively seeking opportunities to establish strategic relationships with other enterprises. Tarim China is currently the most significant market for pipeline inspection and business development there is expected to accelerate in 2018. With a strategic focus on investing in R&D for long-distance natural gas and city pipeline inspection, the Group expects to see this area as a more important revenue stream in the future.

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### **Offshore Engineering Services**

Offshore business is generally more sensitive to shifts in oil prices than land activities and the Group has seen an increase in opportunities following the recovery in oil prices. Offshore engineering contributed RMB143 million of revenue in 2017, up 110.5% Y-o-Y, mainly from the Phase 4 Development Project of Block B-17-01 in Southeast Asia, revenue of RMB24.0 million from the TIMAS PHE WMO Project and revenue of RMB12 million from the Large Steel Cylinder (experimental stage) Project of the New Sanya Airport. In addition, the Group has received a large number of orders during the year through securing a number of projects, which will help further increase the utilization rate of its crane vessels in 2018.

The Group has actively expanded into the overseas market through providing offshore transportation and installation services for three wellhead platforms, subsea pipelines and host tie-ins for CUEL Limited at the northern tip of the Gulf of Thailand. It has signed contracts to rent out its vessel "Hilong 106" with Saipem S.p.A to serve in the Bay of Bengal, as well as entering into a smaller contract with Malaysia Marine and Heavy Engineering Holdings Berhad to provide wellhead platform installation services in Malaysia. The experience gained in executing these projects will solidify the Group's offshore engineering capabilities in an international environment.

With the recovery in oil prices during 2017, the Group has penetrated the markets in Malaysia and Thailand and expects to further build its reputation in Southeast Asia. Going forward, the Group expects to see an improvement in subsea activities and will continue to seek opportunities in Asia and elsewhere.

**Mr. Zhang concluded,** "Looking ahead, the Group will continue to focus on development of its core business while exploring possible business adjustments to cater to the ever-changing market environment and improve profitability, and minimize market-related risks. In addition, Hilong will continue to explore new opportunities in the market, including cooperation with experienced subcontractors, active exploration of new markets, qualification review and bidding, development of new business areas, and expansion of its customer base. In the current market, we believe technology is the key to long-term profitability. Thus we will continue to invest in R&D, and incorporate cutting-edge innovation and technology as we continuously upgrade our existing products and use leading technologies currently under development to commercialize new products. In executing these strategies, we aim to make significant advances in the development of our business and operations, hence generating better returns for shareholders."

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### **About Hilong Holding Limited**

Hilong Holding Limited is a leading PRC-based integrated oilfield equipment manufacturer and service provider with a market leadership position in the fields of drill pipes, line pipe and OCTG coatings and oilfield services. It is China's largest and the world's second largest supplier of drill pipes and OCTG coatings, and a key supplier of line pipe coating materials in China. The Group has built up a diversified business framework and expanded its business to offshore engineering services. Hilong follows the business philosophy of integrating products together with services and strives to become a top service provider with strong support from its high-end equipment.

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