



**HILONG ANNOUNCES STEADY 2016 INTERIM RESULTS
WITH NET PROFIT OF RMB67 MILLION**

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**CONTINUES TO PENETRATE OVERSEAS MARKET
PUSHES FORWARD TO BECOME AN INTEGRATED OILFIELD SERVICES PROVIDER**

Financial Highlights (Unaudited)

<i>RMB (Million)</i>	Six Months Ended 30 June		
	2016	2015	Change
Revenue	921.8	1,300.5	-29.1%
Gross Profit	323.9	429.9	-24.7%
Gross Profit Margin	35.1%	33.1%	+2.0ppt
Profit Attributable to Equity Owners of the Company	67.0	108.8	-38.4%
Basic Earnings Per Share (<i>RMB Yuan</i>)	0.0395	0.0641	-38.4%

(Hong Kong, 26 August 2016) - **Hilong Holding Limited** (“Hilong” or the “Group,” stock code: 1623), a leading PRC-based integrated oilfield equipment and services provider, has announced its unaudited interim results for the six months ended 30 June 2016 (“period under review”).

During the period under review, though facing a challenging market environment, as a market leader, Hilong actively pushed to expand its overseas market and maintained a steady operation. The Group recorded revenue of RMB922 million, representing a year-on-year decrease of 29.1%. Profit attributable to equity owners of the Group dropped 38.4% year-on-year to RMB67 million.

Mr. Zhang Jun, Chairman and Chief Executive Officer of Hilong, said, “In the first half of 2016, the international oil price continued to hover at low levels which caused certain of our customers to adjust their investment plans, affecting the demand for certain of Hilong’s products and services and bringing pressure on the Company’s operations. To cope with these difficult situations, Hilong stepped up effort to penetrate overseas market and made good progress. It also established a diversified business portfolio, which included the Russian drill pipe plant that has commenced operation and the expanding offshore engineering services business that targets the overseas market. These strategic business initiatives will contribute to the growth momentum of the Group in the future.”

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Oilfield Services

During the period under review, the oilfield services segment maintained healthy operation with total revenue reaching RMB344 million. As the core business of the segment, drilling services continued to develop steadily and recorded revenue of RMB258 million. While the entire industry faced a sharp decline in work volume and daily rate, armed with a high-end rig fleet, advanced technology, a diversified customer base and strategic regional presence, Hilong was able to maintain normal operation of its existing drilling rigs and retain a relatively strong bargaining power. During the period under review, the HL-30 drilling team of Hilong Albania Oilfield Services Company commenced drilling work for Shell Oil Company in the Albania region, marking Hilong's entry into the European drilling market, another of its significant breakthrough in expanding in the high-end oilfield service market. The project is expected to generate stable revenue for the segment in the second half of 2016.

The Group began providing integrated services this year. Hilong is offering technical services to United Energy in Pakistan, which included drilling fluid and rotary geological steering technology, and to Poly-GCL in Ethiopia such services as oil and gas testing essential for completing well construction. The integrated services business will become a part of the diverse revenue sources of the oilfield services segment and the driver of Hilong's transformation into an integrated oilfield services provider.

Oilfield Equipment Manufacturing and Services

The oilfield equipment manufacturing and services segment achieved total revenue of RMB403 million during the period under review, representing an increase of 18.7% year-on-year. Benefiting from the rapid growth of market share in Russia and customers in other regions replenishing inventories, the revenue of drill pipe business increased by 46.9% year-on-year to RMB334 million. As for the OCTG coating services business, its revenue decreased by 38.3% year-on-year to RMB69 million as a result of the weak demand of the North American and Chinese markets.

During the period under review, Hilong's drill pipe products continued to enjoy leadership in the domestic market and at the same time achieved steady growth in markets overseas. The Group shrewdly adjusted its sales focus, directing resources to tap the demand for drill pipes in Russia and surrounding areas where oil and gas exploration activities are reporting steady progress. The drill pipe production lines relocated to Russia in the second half of 2015 have begun operation and secured certain orders, a reflection of the competitive advantages of localized production. In the period under review, the Group sold 11,402 tonnes of drill pipes in the Russian market, representing a year-on-year increase of 834%, a rather commendable achievement when the industry at large has been in a slump and a testament to the effectiveness of the Group's international development strategy. Going forward, Hilong will promote sales of non-API drill pipe products and related services with high added value in overseas markets and enhance recognition of Hilong's products among international customers. In the wake of improving domestic and overseas oil and gas market condition, the Group expects its drill pipe and related products business to go back on the track of steady development.

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As for its coating business, despite the slowdown of market demand, Hilong continue to lead the market. During the period under review, the Group actively promoted the application of coating on tubings and casings in its bid to expand the service scope and revenue sources of the business. The Group has made relevant deployment in terms of technology and production capacity, fully equipping its major OCTG coating service plants with the capability to spray and coat the full series of OCTG pipes and various other new pipe types for meeting the growing demand for high-end coatings on tubings and casings as well as new types of pipe.

Line Pipe Technology and Services

Revenue for line pipe technology and services increased by 33.2% year-on-year to RMB142 million in the period under review. Hilong completed the LNG project in Pakistan in the first half of the year and secured many orders in and outside China, including the counterweight and coating business for Maoming petro-chemical project of Sinopec Petroleum Engineering Company Limited, etc. The line pipe inspection business maintained a good growth momentum, proceeding with inspection services for a specific section of CNPC's Shan-Jing III Project, pipelines of the Datang Coal-to-Gas Project and an external project of Shanghai Network Pipeline Limited. Sales of new coating materials for sea vessels also managed a relatively fast growth, reaching close to RMB8 million in the period under review.

Hilong will continue to adhere to its development strategy, aiming for diversification, progress toward the high-end and internationalization. It hopes to consolidate its share in the domestic market and step up expansion of overseas markets. The Group will also seek opportunities to participate in major international pipeline projects and establish a track record for its new high-end businesses such as CRA and CWC, grooming them into new growth engines of line pipe technology and services segment.

Offshore Engineering Services

The segment faced dire challenges in the period under review. However, with a service team that boasts an outstanding project track record, the segment won more than a few project contracts. Of these contracts, the one from TIMAS, which involves installation of conduit rack for a certain oilfield's offshore gas field development project in Southeast Asia, is the Group's first offshore lifting operations contract and also its first offshore engineering service contract from the overseas market. In addition, Hilong obtained a contract in relation to Phase III of the Zhoushan Water Supply Pipeline Project of CNPC Offshore Engineering Company Limited. The design service team of the segment also secured some of the design subcontracts of the project of Sinopec Shanghai Offshore Petroleum Bureau in the North Sea, the United Kingdom.

Going forward, Hilong will continue to broaden and intensify strategic cooperation with high-end domestic customers, and build a solid track record in the domestic market. At the same time, it has kept looking for opportunities for exchange and cooperation with leading international offshore engineering services enterprises to help lay the foundation for its foray into the international markets in the future.

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Mr. Zhang concluded, “In the second half of 2016, Hilong will continue to face challenges with international oil price still volatile and market demand going through adjustment. However, we have full confidence in maintaining an overall stable operation. In the past few years, with industry-leading strategic development foresight, Hilong has actively explored reform and development possibilities and, through restructuring its business and adding new business streams, built a diversified business framework. Going forward, while continuing its emphasis on running business professionally, Hilong will strive to improve profitability and risk resistance by maintaining a moderately diverse business portfolio, all to the end of assuring its development in the new age and new market environment.”

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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 the 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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