



HILONG MAINTAINS A STEADY REVENUE OF RMB2.48 BILLION IN 2015

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ACHIEVES STABLE PERFORMANCE DUE TO DIVERSIFIED BUSINESS PORTFOLIO

Financial Highlights (Audited)

<i>RMB Million</i>	12 Months Ended 31 December		
	2015	2014	Change
Revenue	2,484.3	2,576.0	-3.6%
Gross Profit	809.9	1,020.6	-20.6%
Gross Profit Margin	32.6%	39.6%	-7ppt
Profit Attributable to Equity Owners of the Company	161.0	397.7	-59.5%
Basic Earnings Per Share (RMB per share)	0.0949	0.2345	-59.5%

(Hong Kong, 20 March 2016) – **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 2015.

During the period, benefiting from the diversified business portfolio, Hilong achieved a relatively stable performance, with revenue slightly declining 3.6% year-over-year to RMB2,484.3 million. The net profit attributable to equity owners of the Company, however, dropped 59.5% year-over-year, reflecting the impact of the tough market environment on Hilong’s operational results.

Mr. Zhang Jun, Chairman and Chief Executive Officer of Hilong, said, “In 2015, the continuous decline of the international oil price contributed to the persistence of extremely difficult market conditions for the global oil and gas industry leading to a significant adjustment of capital expenditure by certain customers. As a result, Hilong’s business operation has experienced severe challenges during this period. Nevertheless, the year of 2015 marked Hilong’s first year of operation under the new business structure after implementing the new strategies. During the year, newly launched businesses such as the offshore engineering services started to generate revenue providing growth impetus for the Group’s sustainable development in the future.

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Oilfield Services

Hilong's oilfield services segment successfully realized a relatively steady operation in 2015 and remained as the Group's core revenue source. During the period, this segment recorded a total revenue of RMB923 million, representing a year-over-year decrease of 10.6%. Due to the continuous slump of oil prices worldwide and the consequent harsh market environment of the international oil and gas industry, Chinese and global industry players alike faced the predicament of a sharp production volume decline combined with a significantly dropping day rate in 2015. Leveraging the high-end rig fleet, a strong customer base and a strategic regional presence, Hilong successfully maintained normal operation of its existing drilling rigs despite a volatile market. At the end of 2015, Hilong commenced drilling services in Ethiopia for a new customer, Poly-GCL Petroleum Group Holdings Limited, with two new high-end 2,000HP drilling rigs, demonstrating its strength in the international premium onshore drilling services area.

While maintaining a stable operation for its traditional business where it enjoys competitive advantages, Hilong has also proactively developed new lines of business. After the research and evaluation, Hilong has set up teams for a comprehensive range of services including drilling and completion fluids, directional drilling, horizontal drilling and well completion. To be launched in 2016, these services provide diversified revenue sources for the oilfield services segment in a new development era. Hilong is also entering Albania in 2016 and has commenced drilling services for Shell deploying a new 3,000 HP drilling rig. These businesses are also further advancing Hilong's transformation into an integrated oilfield services provider.

Oilfield Equipment Manufacturing and Services

The operation of the oilfield equipment manufacturing and services segment has experienced great pressure during 2015. The revenue decreased 46.7% year-over-year to RMB676 million in 2015. The scaling back of capital expenditure by certain customers due to low international oil prices resulted in the decline in demand for drill pipes. The total revenue generated by the business of drill pipes and related products amounted to RMB457 million, a drop of 54% as compared to 2014. Hilong, as the sole strategic drill pipe supplier to Sinopec and one of the key drill pipe suppliers to CNPC, nonetheless maintained a strong presence in the domestic market with a stable market share. In overseas markets, Hilong astutely captured the market dynamics and actively rearranged its regional sales focus. In the second half of 2015, Hilong relocated part of its drill pipe production facility to Russia, thereby fully utilizing the advantages associated with local production and centralizing the relevant resources to further explore this market. In 2015, certain non-API drill pipe products developed by Hilong have been widely applied while other new products were at a key stage of market promotion.

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The total revenue generated from the OCTG coating services business reached RMB219 million during the period, a year-on-year decrease of 20.8% as compared to 2014. Hilong has maintained its leading position in coating services applied on drill pipes. In recent years, Hilong has strived to expand the scope of its services and revenue sources. The Group has been actively promoting the application of coatings on tubings and casings with fruitful results. As one of Hilong's traditional pillar businesses with a strong advantage and the most remarkable profitability, the OCTG coating services business is expected to maintain a steady development in the future.

Line Pipe Technology and Services

Revenue of the line pipe technology and services segment increased 8.6% year-over-year to RMB295 million in 2015. Facing the depressed market environment in 2015, Hilong's implementation of the development strategy emphasizing diversification, high-end orientation and internationalization resulted in securing a number of orders both in China and internationally. Highlights of this success include the line pipe coating service project from China Petroleum Pipeline Material and Equipment Corporation (中油管道物資裝備總公司) and the Khazzan project from BP which Hilong won in collaboration with Baosteel. During the year, Hilong provided the traditional line pipe coating services for anti-corrosion purposes and offshore concrete weighted coating services for the Group's offshore pipe-laying construction works in CNOOC's East China Sea Project. Through close cooperation between the Group's line pipe technology and services and offshore engineering services segments, Hilong significantly improved the overall construction efficiency of the project while ensuring the quality of services. Moreover, the line pipe technology and services team also accumulated experience in providing supporting coating services for the Group's offshore pipe-laying services business, which in turn paved the way for Hilong to offer one-stop offshore engineering services in the future. In addition, the line pipe inspection business secured another order from CNPC pursuant to which Hilong is to provide inspection services for a specified section of the Shan-Jing III Project (陝京三線).

Hilong has signed strategic cooperation framework agreements with China Petroleum Pipeline Bureau (中國石油天然氣管道局) and CNPC Baoji Petroleum Steel Pipe Co., Ltd. (中國石油寶雞石油鋼管有限責任公司). At the same time, it is also collaborating with CNPC in traditional line pipe coating for anti-corrosion purposes, offshore concrete weighted coating and line pipe inspection. Hilong has also independently developed several new premium coating material products including the coating materials applied to offshore vehicles. At present, the Group has already completed the research and will obtain the relevant certificates and officially launch these products.

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Offshore Engineering Services

In 2015, Hilong [officially] debuted the offshore engineering services business, as part of the Group's forward-looking development strategy. This initiative broadens the revenue sources, fuels continued growth and effectively strengthens the Group's ability to overcome risk. Currently at an early stage of development, this new segment is to rely on the offshore pipe-laying and derrick vessel, "Hilong 106," and mainly undertake offshore pipe laying and offshore transportation and installation projects. During the period, the total revenue generated from this segment has amounted to RMB590 million.

During the year, Hilong successfully laid offshore pipelines for the CNOOC East China Sea Project and the Weizhou Phase II Project using the "Hilong 106." In executing these two projects, Hilong has strictly adhered to all the HSE standards and successfully ensured smooth construction through its rigorous design proposals and professional on-site work. Hilong has also set several new records in terms of construction efficiency for the same category of projects in China, both highly appreciated by the customers and widely recognized within the industry. The offshore engineering design service team has provided strong technical support for these two major contracts through its technical capabilities. The successful execution of the these two projects has made Hilong the first domestic privately-run company to win and deliver sizable EPCI service contracts and has also demonstrated to the market Hilong's high-standard capability of providing integrated offshore engineering services covering engineering design, construction and all related areas.

Currently, the Group is actively studying several potential projects both in China and abroad and has strived to explore more business opportunities in 2016. The offshore engineering design services business will also speed up its development and further expand its design consultation services targeted at external parties while continuing to provide strong technical support for Hilong's projects.

Mr. Zhang concluded, "Looking into 2016, despite facing multiple market challenges, we are confident in maintaining the stable operation of the overall business. Hilong has actively explored reform and development and towards this end has built up a diversified business framework through restructuring existing businesses and expanding to new areas. Going forward, Hilong will continue to focus on specialized operations while striving to improve profitability and management of risk through maintaining a diversified business portfolio in order to lay a solid foundation for the Group's progress at the new stage and within the changing 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 continuously expands its business horizon and marched into the offshore engineering services field in 2014. 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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