

[Press Release]



HILONG 2015 INTERIM REVENUE STEADILY GROWS TO RMB1.3 BILLION

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STABLE GROWTH ACHIEVED AMIDST CHALLENGES NEW BUSINESSES INJECT NEW MOMENTUM INTO HILONG

Financial Highlights (Unaudited)

<i>RMB Million</i>	Six Months Ended 30 June		
	2015	2014	Change
Revenue	1,300.5	1,181.6	+10.1%
Gross Profit	429.9	448.0	-4.0%
Gross Profit Margin	33.1%	37.9%	-4.8ppt
Profit Attributable to Equity Owners of the Company	108.8	179.3	-39.3%
Basic Earnings Per Share (RMB per share)	0.0641	0.1057	-39.4%

(Hong Kong, 23 August 2015) – **Hilong Holding Limited** (“Hilong” or the “Group,” stock code: 1623), a leading PRC-based integrated oilfield equipment and services provider, announced its unaudited interim results for the six months ended 30 June 2015.

During the period, the Group maintained steady operation and recorded a total revenue of RMB1.3 billion, indicating a growth of 10.1% over the corresponding period of 2014. The net profit attributable to equity owners of the Company amounted to RMB109 million, representing a decrease of 39.3% as compared with the first half of last year.

Mr. Zhang Jun, Chairman and Chief Executive Officer of Hilong, said, “In the first half of 2015, the global oil and gas market remained weak. Energy industry continued to adjust, with the low international oil price presenting the most severe challenge for Hilong. However, we managed to capture the opportunities available. 2015 is Hilong’s first year of operation after the implementation of the new strategic layout of its businesses. After the early stage of preparation, our new businesses such as offshore engineering services have already started to generate revenues in 2015 and will provide impetus for the continued growth of the Group’s overall development in the future.”

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Oilfield Services

During the review period, Hilong's oilfield services segment maintained an overall healthy operation, generating a total revenue of RMB443 million, indicating a slight decrease from the corresponding period of 2014. As the core business of the segment, the revenue of drilling services maintained similar level as compared with that of first half of 2014.. While most domestic and international peers in the industry confronted the difficulties of a sharp decline of work volume and dramatic decrease of day rates, Hilong still managed to maintain the normal operation of its existing drilling rigs and retained relatively strong bargaining power in terms of pricing under the volatile market environment relying on its high-end rig fleet, advanced technology, diversified customer base and the regional strategic presence. During the period, Hilong won a drilling service contract from a new customer, Poly-GCL Petroleum Group Holdings Limited ("Poly-GCL"), and will provide drilling services in the newly developed regional market Ethiopia with two new drilling rigs within the year. This project will further expand Hilong's drilling rig fleet and the business scope of its drilling services.

The Group will put into service a 3,000HP drilling rig and two 2,000HP drilling rigs in the second half of 2015 in Albania and Ethiopia for the commencement of drilling services for Shell and Poly-GCL, respectively. This will bring in stable revenue streams after 2015 and lay the groundwork for sustained growth of oilfield services in the next few years. Currently, the Group is actively tracking the potential customers and orders from new regional markets including the oil-rich Middle East. At the same time it is striving to establish a business footprint in the new strategic regions within a short time so as to enter the local mainstream markets. In the future, the Group will continue to expand its high-end rig fleet, secure quality international customers and march into new regional markets, in order to further reinforce its leading presence in this sector.

Oilfield Equipment Manufacturing and Services

The oilfield equipment manufacturing and services segment achieved a total revenue of RMB339 million during the period, a decrease of 42.5% over the same period of 2014. Revenue generated from the drill pipe and related products business amounted to RMB227 million, representing a year-on-year decline of 51.0%. The decline of revenue of Hilong's drill pipe business was mainly attributable to the reduction of capital expenditure by certain customers in the industry as a result of factors including the ongoing weakening of the international oil price and the adjustments made by the oil and gas industry in China. Despite multiple unfavorable market factors, Hilong still managed to maintain a leading and stable market position in China and continued a steady pace of growth in overseas markets for its drill pipe products. While the general market conditions of the global oil and gas industry remained harsh, Russia and the surrounding areas still maintained relatively stable oil and gas exploration and production activities. Hilong carefully observed the market changes and proactively adjusted its regional focus for drill pipe sales, and mobilised resources to further exploit the demand for drill pipes in Russia and the surrounding areas. Hilong has always paid great attention to the market promotion of premium products. Certain non-API drill pipe products such as sour-service drill pipes have been highly appreciated by customers and widely applied across the industry. Other new products including drill pipe with radio frequency identification and super high strength drill pipe (grade U165) are in the key stage of market promotion.

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The OCTG coating services business realized a total revenue of RMB112 million during the period, representing a decrease of 10.9% as compared with the first half of 2014. This line of business has seen steady development in recent years and made notable achievement in expanding capacity and developing product range. Texas Internal Pipe Coating, LLC (“TIPC”), the US OCTG coating service plant acquired by Hilong in 2014, has continued to operate smoothly and is widely recognized by local customers. While maintaining the leading position in the field of drill pipe coatings, Hilong has also been actively promoting the application of coating on tubings and casings in the market to expand the scope of its services as well as revenue sources. In recent years, Hilong has deployed new production capacity or upgraded the existing production facility for OCTG coating services business in key strategic locations both domestically and internationally in a planned manner. At present, the Group’s major OCTG coating service plants are fully equipped with the capacity and capability of applying coatings for the entire series of OCTG pipes as well as a variety of new types of pipes.

Looking ahead, the Group will continue to cultivate individual key markets including Russia and the surrounding regions. In addition, the Group will intensify its efforts to promote sales of non-API drill pipe products and related services with high added value across overseas markets and enhance the recognition of the Hilong brand among international customers. As for the coating services business, Hilong will continue to focus on market development, and actively nurture new market demand so as to realize the optimisation of production capacity and achieve steady growth in the new era of development.

Line Pipe Technology and Services

The line pipe technology and services segment experienced revenue drop by 11.1% to RMB106 million in the first half of 2015. In 2015, Hilong managed to obtain orders at home and abroad despite the challenging market environment relying on its solid track record established through participation in large domestic projects such as the West-East Gas Pipe Line Project Phase I and II as well as overseas projects experiences. These orders include the line pipe coating service project from China Petroleum Pipeline Material and Equipment Corporation and the Khazzan Project from BP in which Hilong jointly won the bid with Baosteel. In particular, this segment provided the traditional line pipe coating for anti-corrosion purposes and the offshore concrete weighted coating services for the offshore pipe-laying construction of CNOOC’s East China Sea Project through close cooperation with the Group’s offshore engineering services segment. The segment has also significantly improved the project’s overall construction efficiency, which has set an example for synergy between Hilong’s different business segments. The line pipe inspection business has continued its promising development and received another order from CNPC to provide inspection services for a specific section of the Shan-Jing III Project. In terms of cooperation within the industry, Hilong has signed strategic cooperation framework agreements with China Petroleum Pipeline Bureau and CNPC Baoji Petroleum Steel Pipe Co., Ltd.. These strategic cooperation agreements enable Hilong to elevate the level and expand the scope of cooperation with CNPC.

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Looking into the future, as the global oil and gas markets eventually adjust in a more positive manner, the major line pipe construction projects in China and overseas markets will also gradually commence or resume construction. Hilong's line pipe coating service business will also embrace such new development opportunities. While continuing to actively participate in the major domestic projects and solidify its domestic market position, Hilong will increase its efforts to explore overseas markets, particularly seeking opportunities to participate in major international projects for its newly developed premium businesses such as CRA and CWC and establish a track record. The Group will also commit resources to develop the high-end CRA and CWC businesses into the new drivers leading the future growth of the segment. The "One Belt One Road"¹ development strategy introduced by the Chinese government will also generate opportunities for Hilong to participate in the line pipe construction projects of the countries which are geographically positioned along the designated areas. Going forward, the line pipe technology and services segment will continue to closely cooperate with the offshore engineering services segment and strive for more line pipe coating services business opportunities related to the offshore pipe laying construction so as to fully utilise the synergy between the business segments. Hilong will also accelerate development of its line pipe inspection business, further develop the market and strengthen its market position. These efforts will help Hilong to extend and improve the value chain for line pipe services and achieve the goal of growing into a one-stop solutions provider for line pipe services as soon as possible.

Offshore Engineering Services

In 2015, with the operation of the offshore pipe-laying and derrick vessel, "Hilong 106," as the starting point, Hilong officially launched the offshore engineering services business and opened a new chapter in moving to offshore-related business from onshore operation. During the period, Hilong successfully laid offshore pipe lines for the CNOOC East China Sea Project and the Weizhou Phase II Project using the "Hilong 106," and recorded a total revenue of RMB412 million. During the execution of the two projects, Hilong set several new records in terms of construction efficiency for the same type projects in China's offshore engineering services field relying on its rigorous design proposals and professional on-site work while strictly implementing all HSE standards and ensuring the quality of construction. Several innovative design plans proposed by Hilong's offshore engineering design service team were highly appraised by the customer and certain design proposals have already been adopted by CNOOC as new criteria for design and construction for similar projects in the future. Successful execution of the two projects made Hilong the first domestic private enterprise to win and execute the EPCI service contracts of such a large scale in the field of offshore engineering services and also demonstrated to the market Hilong's high-standard capabilities in offshore engineering design, construction and integrated services. This achievement has not only elevated Hilong's market position in China but also laid a solid foundation for the Company to develop an offshore engineering services business in international markets in the future.

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¹ "One Belt One Road" is the summary of the initiatives proposed by the Chinese government to build the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road." These initiatives are designed to develop an economic partnership with the countries which are geographically along the "One Belt One Road" and consist of construction of infrastructure including railway, oil and gas pipelines and power grids across the Eurasian continent.

Hilong has recently signed a framework agreement of strategic cooperation with CNPC Offshore Engineering Company Limited (“CPOE”), covering offshore engineering design and construction and jointly promoting the development of new technology, materials and skills and processes for offshore engineering services. The agreement represents another strategic alliance between Hilong and the top domestic customers in the field of offshore engineering services. Previously it had won two EPCI service contracts from CNOOC and entered into an agreement with CNOOC to provide offshore engineering design and consultation services. In addition, the Group will continue to intensify communication and cooperation with the high-profile international players in offshore engineering services. Recently, Hilong has held a senior-level meeting with Saipem S.p.A. to promote the in-depth cooperation and discussed the specific scope and forms of cooperation during the meeting. Saipem S.p.A. will soon commence certification procedure and bring Hilong into its procurement system.

The offshore pipe-laying and derrick vessel “Hilong 106” will soon complete the offshore pipe-laying works for CNOOC’s Weizhou Phase II Project and East China Sea Project in the second half of 2015, the most outstanding achievement for Hilong of the year. Currently, the Group is actively exploring other potential business opportunities, especially projects from the Southeast Asia markets, hoping to obtain more contracts for “Hilong 106” in 2015. The offshore engineering design service will also expedite its development and extend the design and consultation services to external customers apart from continuously providing solid technical support to the operation of “Hilong 106.”

Mr. Zhang concluded, “Looking into the second half of 2015, the Group has confidence that it can maintain stable operation of the overall business despite facing continuous market challenges, including the volatile international oil price and the market demand which is still under adjustment. In the past few years, Hilong has actively explored the path for reform and development and established a diversified business portfolio through restructuring existing businesses and expanding into new territories. Expansion of our offshore engineering services in 2015 is a forward-looking development strategy expected to add a sustaining growth driver to the Group. We will continue to focus on the specialised operations and are committed to improving profitability and anti-risk capability through maintaining a diversified business portfolio, which will lay a solid foundation for the Group’s development in the new stage and in the 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 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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