



**HILONG 2013 INTERIM REVENUE UP 25.3% TO RMB1,165 MILLION**  
**GROSS PROFIT MARGIN REACHED A HIGH LEVEL OF 41.3%**

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**FOCUSES ON HIGH-END OILFIELD EQUIPMENT PRODUCTS AND SERVICES**  
**SUCCESSFULLY EXPANDS OVERSEAS MARKETS**

**Financial Highlights (Unaudited)**

<i>RMB Million</i>	<b>For the Six Months Ended 30 June</b>		
	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Revenue</b>	<b>1,165.2</b>	929.7	+25.3%
<b>Gross Profit</b>	<b>481.0</b>	371.5	+29.5%
<b>Gross Profit Margin (%)</b>	<b>41.3%</b>	40.0%	+1.3ppt
<b>Profit Attributable to Equity Owners of the Company</b>	<b>103.4</b>	130.2	-20.6%
<b>Non-GAAP Profit Attributable to Equity Owners of the Company</b>	<b>180.9</b>	138.7	+30.4%

(Hong Kong, 23 August 2013) – **Hilong Holding Limited** (“Hilong” or the “Group”; stock code: 1623), a leading PRC-based integrated oilfield equipment and services provider, today announced its unaudited interim results for the six months ended 30 June 2013.

During the period under review, the Group’s revenue and profit achieved significant growth. Revenue increased by 25.3% year-on-year to RMB1,165 million, while gross profit similarly rose by 29.5% to RMB481 million. Gross profit margin reached a high level of 41.3%. Profit attributable to equity owners of the Company decreased by 20.6% year-on-year to RMB103.4 million. Excluding loss from changes in fair value of the embedded derivative of the Convertible Bonds and certain share-based compensation expenses, profit attributable to equity owners of the Company was approximately RMB180.9 million, representing an increase of 30.4%. Basic earnings per share were RMB0.0634. The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2013.

**Mr. Zhang Jun, Chairman and Chief Executive Officer** of Hilong, said, “In the first half of 2013, Hilong achieved excellent results in all three business segments. Research and development capabilities, production capacity, market development and the management efficiency of the Group also achieved a satisfying improvement, therefore the revenue and profits recorded significant growth. In addition to expanding its business scale, Hilong continued to focus on launching high-end products and services and putting more efforts into overseas expansion. We took a big step forward towards our goal to build Hilong into a globally competitive integrated oilfield equipment manufacturer and service provider.”

During the period under review, the Group's three business segments, drill pipes and related products, coating materials and services, and oilfield services accounted for 38.7%, 25.5% and 35.8% of the total revenue respectively. Revenue generated in domestic markets accounted for 47.5% of total revenue, while the overseas market accounted for 52.5% of total revenue, which represents a year-on-year increase of 7.9ppt from 44.6% during the corresponding period last year.

### **Drill pipes and related products**

The Group's sales revenues from drill pipes and related products for the first half of 2013 amounted to RMB451 million, rising by 9.1% year-on-year. Benefiting from higher portion of high-end products, gross profit increased by 15.4% to RMB178 million, while gross profit margin increased by 2.1ppt to 39.4%. During the reviewing period, sales of drill pipes reached 17,930 tons, amounted to RMB421 million in revenue, up by 10.3% year-on-year.

Hilong also made remarkable progress in the optimization of its product structure during the period under review. Striving to meet the demand to provide quality products and services for a wide range of domestic and overseas drilling environment, the direction of Hilong's research and development concentrated on ultra-deep wells, deep water wells, unconventional oil and gas wells, horizontal wells for exploiting conventional gas, etc. The revenue contribution from high-end non-API products achieved substantial growth, compared with the corresponding period last year. The average selling price of Hilong's drill pipes rose by 3.1% from the same period of last year alongside the greater revenue contribution from high-end products.

During the period under review, revenue from sales of drill pipes in the international market increased by 16.9% year-on-year to RMB191 million. The increase primarily reflected the higher average selling price due to the greater proportion of revenue from high-end products, coupled with the increase in the volume of drill pipes sold due to Hilong's enhanced brand recognition and the expansion of its international market share. The higher volume of drill pipes sold in the PRC market partially offset the decrease in average selling price, thus revenue from sales of drill pipes in the PRC market increased by 5.4% year-on-year to RMB230 million.

### **Coating materials and services**

For the first half of 2013, the coating materials and service segment achieved a revenue of RMB297 million. Gross profit increased to RMB140 million, representing a growth of 15.8%. For the segment structure, Hilong continued to focus on high-end services and products, and concentrate its resources on developing OCTG coating services with high gross margins. OCTG coating services and materials recorded revenue of RMB142 million, surging 55.0% compared to the corresponding period last year, and its contribution to the coating segment increased 14.1ppt to 47.6%. The line pipe coating materials and services business achieved a revenue of RMB156 million.

Hilong's OCTG coating services business achieved another breakthrough in the first half of 2013, overcoming the production capacity bottleneck for the existing OCTG plants via a technological transformation and management improvement.

In respect of line pipe coating materials and service, Hilong continued to focus on large overseas projects with high gross profit. In the first half of 2013, Hilong successfully secured tenders for several overseas high-end projects, such as the Missan oilfield development project in Iraq and the GLNG upstream project from Fluor Corporation in Australia. These wins underscored the leading position of Hilong in the technology of corrosion resistance for line pipes. Among the new products and services Hilong researched and developed, the corrosion resistance alloy lined pipe launched in 2012 enjoyed high market recognition. In 2013, the Group plans to increase the production capacity to 100,000 - 150,000 tons, which will be a strong driver for the future growth. Meanwhile, the production line for Concrete Weighted Coating project formally commenced production on 24 April this year, signifying Hilong's official involvement in business of anti-corrosion for offshore line pipes.

### **Oilfield Services**

During the period, Hilong's oilfield service generated outstanding results. Revenue from the oilfield service segment reached RMB417 million, soaring 71.3% year-on-year, while gross profit surged 68.8% to RMB164 million. Such increases were primarily attributable to two main reasons. On one hand, the revenue from new drilling rigs increased as compared with the corresponding period of 2012. On the other hand, the growth of a comprehensive service business significantly increased the profitability of the existing drilling rigs. During the period, two of our drilling rigs in the Kazakhstan market completed 24 wells under the turnkey contract. Meanwhile, the OCTG supply service also achieved remarkable progress in the first half of 2013.

Hilong's oilfield service segment not only attained favorable revenue growth, but also achieved a substantial breakthrough in market development. Hilong successfully obtained a service contract in relation to high-temperature and high-pressure drilling rigs of 3,000HP from Shell, a renowned global energy enterprise. Again, the contract testifies to Hilong's global-leading competitiveness in the field of onshore drilling. As for expansion into new regional market in Central and Southern Asian, the Group secured a service contract in relation to two large drilling rigs of 2,000 HP and 1,500 HP from United Energy Pakistan.

**Mr. Zhang** concluded, "Looking ahead, we are facing an increasingly challenging drilling environment and further exploration of offshore and unconventional oil and gas resources, Hilong's high-end products and services will have a wider market. Hilong will continue to implement our growth strategy: maintaining its leading position in the domestic market while further exploring the international market and expanding its international presence. Meanwhile, Hilong will focus on the R&D of high-end products and break through the bottleneck of the production capacity in OCTG coating services, so as to enhance its profitability. We strongly believe that Hilong will continue to maintain robust growth momentum and bring substantial returns to its shareholders."

### **About Hilong Holding Limited**

Hilong Holding Limited is a leading PRC-based integrated oilfield equipment manufacturer and service provider with a focus on 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 the largest supplier of oil and gas line pipe coating materials in China. The Group has established a solid and diverse customer base, supported by the leading technologies and customized services.

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### **Appendix : Revenue by Business Segments**

	Six Months Ended 30 June			
	2013		2012	
	RMB'000	%	RMB'000	%
<b>Drill pipes and related products</b>	<b>450,652</b>	38.7	412,942	44.4
<b>Coating materials and services</b>	<b>297,440</b>	25.5	273,203	29.4
<b>Oilfield services</b>	<b>417,076</b>	35.8	243,540	26.2
<b>Total</b>	<b>1,165,168</b>	100.0	929,685	100.0