

[Press Release]



**HILONG 2012 ANNUAL RESULTS UP 23.5% TO RMB 2,264 MILLION IN REVENUE  
PROFIT ATTRIBUTABLE TO EQUITY OWNERS UP 14.2% TO RMB 345 MILLION**

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**LAUNCHES A SERIES OF HIGH-END OILFIELD EQUIPMENT  
PROMOTES ITS GLOBAL COMPETITIVENESS**

**Financial Highlight (Audited)**

<i>RMB Million</i>	For the Year Ended 31 December		
	2012	2011(Restated)	Change
<b>Revenue</b>	<b>2,264.4</b>	1,833.5	+23.5%
<b>Gross Profit</b>	<b>895.3</b>	751.3	+19.2%
<b>Profit Attributable to Equity Owners of the Company</b>	<b>345.0</b>	302.0	+14.2%
<b>Basic Earnings Per Share (RMB)</b>	<b>0.22</b>	0.21	+5.0%

(Hong Kong, 24 March 2012) – **Hilong Holding Limited** (“Hilong” or the “Group” ; stock code: 1623), a leading PRC-based integrated oilfield equipment and service provider, today announced its audited annual results for the year ended 31 December 2012.

During 2012, the Group recorded revenue of RMB2,264.4 million, representing a year-on-year increase of 23.5%, from RMB1,833.5 million in 2011. Gross profit increased by 19.2% to RMB895.3 million from RMB751.3 million, while gross profit margin was 39.5%. Profit attributable to equity owners of the Company increased by 14.2% over last year to RMB345.0 million (2011: RMB302.0 million). Basic earnings per share was RMB0.22. The Board of Directors resolved to recommend a final dividend of HK\$7.6 cents per share for 2012.

**Mr. Zhang Jun, Chairman and Chief Executive Officer of Hilong**, said, “The year 2012 was a strategically important year in Hilong’s development. We managed to maintain our leadership among the market competition by achieving outstanding results in the R&D of high-end products and marketing of new products. The Group also actively expanded its overseas markets, further raising Hilong’s profile and market position globally.”

During the year, the Group achieved significant progress in each of its three core business segments, drill pipes and related products, coating materials and services, and oilfield services. The three segments accounted for 44.6%, 28.1% and 27.3% respectively of the total revenue. In 2012, the revenue generated from domestic markets and overseas market accounted for 56.2% and 43.8% of the total revenue.

## **Drill pipes and related products**

In 2012, revenue from the sales of drill pipes and related products segment increased by 11.9% to RMB1,011 million (2011:RMB904 million). Hilong maintained its growth momentum and further strengthened its leading position. Based on 2012 sales, Hilong's domestic market share increased from 34% to 45% in 2012, while the market shares in overseas markets rose significantly from 13% to 16% in 2012<sup>1</sup>, in particular in Canada and South America.

In 2012, Hilong introduced a series of new products and services into the market. Various new drill pipes were well received by our customers. Hilong's V150 high strength drill pipes used in ultra-deep well exploration occupy internationally leading standards among the similar products. Sour service drill pipes for shale gas exploration and specialized drill pipes for coal seam gas exploration have met the trend of unconventional energy exploration, and were well received by the customers. Meanwhile, the Group is actively developing various new technologies and products, including electronic drill pipes and V-165 ultra-strength drill pipes.

Furthermore, the Group made tremendous progress in enhancing the Hilong brand and strengthening the relationship with its customers. The Group continued to strengthen the cooperation with domestic and international customers. In November 2012, the Group entered into a three-year strategic supply agreement with China Petroleum & Chemical Corporation ("SINOPEC"), and became SINOPEC's sole strategic supplier of drill pipes. In terms of international cooperation, in October 2012, the Group entered into a three-year strategic supply agreement with the leading Canadian drilling company Ensign Energy Services Inc.. The signing of these agreements has not only further risen Hilong's profile in overseas markets, but laid a solid foundation for new products' R&D and promotion as well as the overseas markets expansion in the future.

## **Coating materials and services**

During the year, revenue from the coating materials and services segment increased by 25.8% to RMB636 million (2011: RMB506 million). The strong growth was driven by the expansion of OCTG coating business, as well as the introduction of new line pipe coating materials and new techniques such as the Corrosion Resistance Alloy lined pipe coating ("CRA").

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<sup>1</sup> According to a report issued by Spears & Associates Inc.

During the year, the global market share of OCTG coating business grew from 14% to 17%<sup>2</sup>, mainly drive by capacity expansion. At the end of 2012, the annual capacity of OCTG coating services of the Group was approximately 3,600,000 meters. Tianjin Tube-Cote Petroleum Pipe Coating Co., Ltd. and the joint venture Hilong set up in Yekaterinburg, Russia commenced its operation in early 2012 and October 2012 respectively, contributed approximately additional 800,000 meters and 600,000 meters of annual capacity respectively. In the first half of 2013, the construction of the OCTG coating plant in Edmonton, Canada, which is a wholly-owned subsidiary of the Company, is expected to start operation with an annual capacity of about 600,000 meters.

In terms of the line pipe coating business, riding on the stable growth of the existing business, the Company continued with its efforts in expanding into new areas of coating materials application and introducing new coating techniques. The new line pipe coating product CRA, which significantly reduced the costs of anti-corrosion by replacing the traditional stainless steel pipes, was highly recognized by our customers when it was launched in 2012. Except for that, at the end of 2012, the Group completed the construction of the production line of Concrete Weighted Coating (“CWC”) that is applied to offshore line pipes to provide corrosion resistance and stability under water. The new project is expected to further drive up the coating business going forward.

### **Oilfield Services**

The oilfield services business achieved a substantial increase in 2012. The revenue grew by 45.6% to RMB618 million (2011:RMB424 million). Hilong operated in Ecuador, Nigeria, Kazakhstan and Colombia. The Group got client's acknowledgment and applause through outstanding service, and successfully further secured service contract from international clients such as Shell and Schlumberger.

The Group identifies South American market as a key region to develop the oilfield services business, and promote more comprehensive services in addition to drilling, and to secure turnkey contracts in Kazakhstan. The successful results proved that the Group is capable of being an integrated service provider. In the future, the Group will continue to consider potential new contrasts to expand our rig fleets carefully and increase the range of comprehensive services to further establish itself as a strong regional players.

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<sup>2</sup> According to a report issued by Spears & Associates Inc.

**Mr. Zhang concluded,** "Looking ahead, we will continue to focus on R&D of products and services, concentrate on high-end markets, further expand international markets, and enhance the brand recognition. For drill pipes and related products, the Group will further improve its market position in overseas markets including Canada and Russia, and continue to expand in South America, United States and Middle East markets. In relation to coating services and materials, the Group will continue to concentrate on the development of OCTG coating business. Regarding oilfield services, we plan to provide more comprehensive and challenging services. We will persist the objective of building Hilong as the globally competitive integrated oilfield equipment manufacturer and service provider."

~End~

### **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 segment**

	Year ended 31 December			
	2012		2011 (Restated)	
	RMB'000	%	RMB'000	%
<b>Drill pipes and related products</b>				
- Drill pipes	927,163	40.9	742,517	40.5
- Drill pipes components	26,770	1.2	94,080	5.1
- Hardbanding	12,113	0.5	15,602	0.9
- Equipment	16,182	0.7	10,959	0.6
- Others	28,640	1.3	40,567	2.2
<b>Subtotal</b>	<b>1,010,868</b>	<b>44.6</b>	<b>903,725</b>	<b>49.3</b>
<b>Coating materials and services</b>				
Oil Country Tubular Goods (「OCTG」)				
- Coating materials	34,796	1.5	37,139	2.0
- Coating services	201,230	8.9	112,976	6.2
Oil and gas line pipe				
- Coating materials	180,361	8.0	176,057	9.6
Coating services	219,478	9.7	179,466	9.8
<b>Subtotal</b>	<b>635,865</b>	<b>28.1</b>	<b>505,638</b>	<b>27.6</b>
<b>Oilfield Services</b>	<b>617,640</b>	<b>27.3</b>	<b>424,156</b>	<b>23.1</b>
<b>Total Revenue</b>	<b>2,264,373</b>	<b>100.0</b>	<b>1,833,519</b>	<b>100.0</b>