



HILONG ANNOUNCES 2012 INTERIM RESULTS
REVENUE UP 22.0% TO RMB930 MILLION
PROFIT ATTRIBUTABLE TO EQUITY OWNERS UP 10.3% TO RMB130 MILLION

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STEADY GROWTH IN ALL BUSINESS SEGMENTS
FIRMLY EXECUTES GROWTH STRATEGIES

Financial Highlights

<i>RMB'000</i>	For the Six Months Ended 30 June		
	2012	2011	Change
Revenue	929,685	761,920	+22.0%
Gross Profit	371,542	336,484	+10.4%
Profit Attributable to Equity Owners of the Company	130,193	118,035	+10.3%

(Hong Kong, 24 August 2012) – **Hilong Holding Limited** (“Hilong” or the “Group”; stock code: 1623), a leading PRC-based integrated oilfield equipment and service provider, today announced its unaudited interim results for the six months ended 30 June 2012.

During the period under review, the Group recorded revenue of RMB930 million, representing an increase of 22.0%, from RMB 762 million in the same period in 2011. Gross profit increased by 10.4% to RMB372 million from RMB336 million, representing a gross profit margin of 40.0%. Profit attributable to equity owners of the Company increased by 10.3% to RMB130 million (1H2011:RMB118 million). The Board of Directors resolved not to declare the payment of an interim dividend in respect of the six months ended 30 June 2012.

Mr. Zhang Jun, Chairman and Chief Executive Officer of Hilong, said, “In the first half of 2012, despite the complex global economic environment, Hilong managed to sustain solid growth in our business. Revenues rose in all three business segments compared with the same period last year, and we achieved breakthroughs in R&D, production and marketing. We continued to execute our growth strategies and moved further towards our goal of becoming a global leader in oilfield equipment and services.”

During the period under review, the Group’s three business segments, drill pipes and related products, line pipe and OCTG coating materials and services, and oilfield services, achieved satisfactory progress, accounting for 44.4%, 29.4% and 26.2% respectively of the total revenue. In the first half of 2012, the revenue generated in domestic markets and overseas market accounted for 55.5% and 44.5% of the total revenue.

Revenue from the sales of drill pipes and related products segment increased by 14.1% to RMB413 million (1H2011:RMB362 million) for the period under review. To maintain the stable growth of the drill pipe business, Hilong actively upgraded production capacity and significantly improved utilisation rate in the first half of 2012. The product offerings were extended from 9 meter-drill pipes to 14 meter-drill pipes and the utilisation rate of domestic capacity was substantially enhanced from 52% to 75%. In terms of the production capacity overseas, Hilong Petroleum Pipe Company LLC., the Abu Dhabi-based subsidiary that the Group acquired at the end of 2011, has commenced mass production in the first half of 2012, laying a strong foundation for our future revenue growth.

Hilong made significant progress in the R&D aspect and successfully launched series of new customized products during the period under review. Such as the 8 5/8" drill pipe used in coal seam gas reserve circulation drilling, which is the largest diameter of drill pipes produced in China. Also, new drill pipe products supported drilling operations under more challenging conditions are introduced to the market, such as drill pipes for ultra-deep wells and sour service heavyweight drill pipes, which have attracted recognition in both domestic and overseas markets.

During the period under review, revenue from the coating materials and services segment increased by 21.1% to RMB273 million (1H2011: RMB226 million). Hilong adjusted the revenue mix of the segment by increasing the proportion of high-margin products and services. Consequently the gross margin of this segment was driven up to 44.1% as compared with 37.3% in the second half of last year. Historically, the growth of OCTG coating materials and services business has been constrained by the capacity of the coating services plants, in response, Hilong actively pursued capacity expansion. At the end of 2011, Hilong has consolidated coating services capacity of about 2,600,000 meters per year. In 2012, the construction of the OCTG coating service plant located in Russia has been completed, and is expected to commence mass production later this year, while the coating service plant in Canada is being constructed as planned. The two plants are anticipated to reach an annual capacity of about 600,000 meters each. In China, Tianjin Tube-Cote Petroleum Pipe Coating Co., Ltd. completed the upgrade of the coating services production facilities at the end of last year, and is expected to contribute an annual capacity of about 800,000 meters. Capitalizing on geographical advantages, the new coating plants in Tianjin and Russia have built satisfactory orderbook.

For the line pipe coating materials and services, Hilong focused on complex and large scale projects, for instance, the West-to-East Gas Pipeline Project Phase III in China, and overseas, in the Petroleum Development Oman PDO Gas Transportation Project, the world's longest single bi-directional stainless steel coating project. Hilong has become the only qualified Chinese line coating service provider for the Oman Project. In addition to traditional line pipe coating materials and services, Hilong also launched a new anti-corrosion technique, the Corrosion Resistance Alloy Lined Pipe services, which is well recognized by customers and realized sales for energy projects in Turkmenistan.

New coating products are continued rolling out to the market, notably heat-resistant coating materials for oilfield transmission pipes and interior anti-corrosion coating materials for deep water offshore gas transmission pipes.

For the first half of 2012, revenue from the oilfield services segment recorded a period-on-period growth of 39.7% to RMB244 million (1H2011: RMB174 million). At the end of this period, Hilong's oilfield services team operated 10 sets of drilling equipment, up from 9 sets at the end of 2011, all engaged for onshore oilfield services overseas. Hilong also received very positive feedback from its customers based on its outstanding service quality, proven by contract renewals from large international customers such as Shell and Schlumberger.

Mr. Zhang said, "Looking into the second half, we are very confident about achieving our growth target this year. As we move into third and fourth quarter, when drilling operations are usually more active than the first half of the year, we see increasing volume of orders with higher proportion of high-end products and services. We also believe that the Group's business will benefit from the PRC's strong supporting policies of the exploration and production of natural gas, shale gas, coal seam gas and other unconventional gas, as well as the construction of oil and gas transmission pipelines."

Appendix : Key Project Progress by Business Segment

Drill Pipes and Related Products Segment	
New Products	<ul style="list-style-type: none"> ● Large-diameter drill pipe series, including 8 5/8" drill pipe used in coal seam gas reserve circulation drilling, the largest diameter of drill pipes produced in China ● A 5 7/8" drill pipe, which is becoming the choice for ultra-deep wells, deep-water offshore drilling and extended reach wells ● Sour service heavy-weight drill pipes and sour service drill pipe tool joints
Capacity Upgrade	<ul style="list-style-type: none"> ● Upgraded facilities in China and significantly improved production efficiency ● Middle-East drill pipe facility commenced mass production
Coating Materials and Services Segment	
New coating technique	<ul style="list-style-type: none"> ● Launched a new anti-corrosion technique, the Corrosion Resistance Alloy Lined Pipe services, which is well recognized by customers
Capacity Expansion	<ul style="list-style-type: none"> ● New coating plant in Russia has been almost completed with estimated annual capacity of 600,000 meters ● New coating plant in Canada is under construction with annual capacity of 600,000 meters ● Coating plant in Tianjin finished capacity upgrade and is estimated to contribute annual capacity of about 800,000 meters
Oilfield Services Segment	
New Contract in Colombia :	<ul style="list-style-type: none"> ● The new rig that commenced drilling in Columbia in June this year constructed by a subsidiary of Sinochem Group, marking our first entry into the Colombian market
New Contract in Ecuador :	<ul style="list-style-type: none"> ● Secured two new drilling service contracts with Schlumberger's local joint venture in Ecuador to commence in the second half of this year

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.

For press enquiries:

Strategic Financial Relations (China) Limited

Ms. Nan Dong	Tel: (852) 2864 4811	nan.dong@sprg.com.hk
Ms. Winnie Lau	Tel: (852) 2864 4876	winnie.lau@sprg.com.hk
Ms. Sophie Zhang	Tel: (852) 2114 4960	sophie.zhang@sprg.com.hk
Ms. Melody Jin	Tel: (852) 2114 4963	melody.jin@sprg.com.hk