



**Hilong 2018 Interim Revenue Increases by 19.7%
to Approximately RMB1.5 Billion
Profit Attributable to Owners of The Company Up 8.3%
to RMB70.8 Million**

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**Achieves Steady Business Growth
Excluding Foreign Exchange Gains and Losses
Net Profit Amounts to RMB106 Million
A Substantial Increase of 61.9% and
Equivalent to 89% of 2017 Full-year Profit**

Financial Highlights (Unaudited)

<i>RMB (Million)</i>	6 Months Ended 30 June		
	2018	2017	Change
Revenue	1,504.7	1,256.8	+19.7%
Gross Profit	489.6	421.3	+16.2%
Gross Profit Margin	32.5%	33.5%	-1.0pp
Profit Attributable to Equity Owners of the Company	70.8	65.4	+8.3%
Basic Earnings Per Share (RMB yuan)	0.0417	0.0385	+8.3%

(Hong Kong, 23 August 2018) - **Hilong Holding Limited** ("Hilong" or the "Group," stock code: 1623), a leading PRC-based integrated oilfield equipment and services provider, has announced its unaudited annual results for the six months ended 30 June 2018.

In the first half of 2018, Hilong has actively grasped opportunities arising from a recovering oil industry while adhering to its integrated oilfield services strategy. With its leading market position, the Group achieved growth in its main business segments and key markets. During the period under review, the Group's revenue recorded a year-on-year increase of 19.7% to approximately RMB1,504.7 million, with gross profit rising by 16.2% to RMB489.6 million and profit attributable to owners of the Company climbing by 8.3% Y-o-Y to RMB70.8 million.

Mr. Zhang Jun, Chairman and Executive Director of Hilong, said, "In the first half of 2018, the oil industry experienced a gradual recovery, with international oil prices remaining at a high level and global oil inventories returning to a desired level. During the review period, Hilong focused on its operations in domestic and international markets, achieving breakthrough growth in key markets. We obtained milestone oilfield service contracts with Petroleum Development Oman LLC ("PDO") in Oman and BP Iraq N.V. ("BP") in Iraq respectively; and extended our partnership with Shell Upstream Albania B.V. ("SHELL") in Albania. We also secured a sizable Concrete Weight Coating ("CWC") contract on the Bay of Bengal and successfully completed offshore engineering projects in Southeast Asia. These achievements in the international market not only mark the Group's exceptional progress in the Middle East, Russia and Southeast Asia, but also hold particularly importance in enhancing the Group's competitiveness, and in realizing integrated oilfield services strategies."

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Oilfield Services

During the review period, oilfield services generated revenue of RMB461.5 million, representing an increase of 23.3% Y-o-Y, primarily resulting from the continued growth in income from integrated technical services.

In January 2018, the Group obtained service contracts for two rigs in Oman with an initial operational period of 10 years, which can be further extended for five years. The annual contract value for each rig is no less than USD10 million. Revenue contributions are expected to commence from the end of 2018. This contract reflects the strong relationship and recognition that Hilong enjoys with large oil producers, and which will also help the Group to further increase business opportunities in the Middle East market. The Group has also started a partnership with BP in Iraq; signing a USD85 million contract for the provision and operation of two onshore workover units for a primary period of five years, which can be further extended for a period of one year. This partnership will go towards realizing the Group's vision of becoming a world-renowned oil and gas energy company, and which will help further expand its presence in the international market. In addition, the Group's services in Albania have been well recognized by SHELL, earning the Group an extension contract for a period of two years worth a total value of up to USD 28 million. It will consequently increase the influence of Hilong in the oil and gas service sector in Albania.

In the future, the Group will seek to further penetrate the Middle East market and strive to achieve more outstanding results in the region. The Group will focus on the implementation of an integrated service strategy to develop diversified technical services (including drilling fluid, cementing, directional well, horizontal well, casing, cuttings treatment, drill bit and completion). As these technical services are of a light asset nature, the Group will thereby become even less dependent on high-capital expenditures.

Oilfield Equipment Manufacturing and Services

Representing a major revenue stream of the Group, the oilfield equipment manufacturing and services segment achieved a Y-o-Y increase in revenue of 2.6% to RMB662.3 million in the first half of 2018. Segment gross profit margin jumped from 31.3% in the first half of 2017 to 37.4% in the first half of 2018, primarily due to expansion of OCTG coating services and encouraging performance by the US drill pipe rental business.

During the review period, drill pipe shipment reduced from 27,400 tons for the six months ended 30 June 2017 to 26,200 tons for the corresponding period of 2018. The decline was due to increasing focus on long-term cooperation and reputable customer orders, though partially offset by a 61.6% increase in demand from China where the average selling price also rebounded. In addition, in the fast-growing US market, the popularity of Hilong's drill pipes, available via its rental business, continued to gain momentum. At the same time, the Group's high-margin hardbanding wire products, which enjoy strong pricing power owing to their innovative nature, recorded a 126.7% jump in sales.

Revenue from OCTG coating services increased by 11.9% to RMB106.3 million in the first half of 2018. The increase was principally due to strong growth by the overseas business, in particular, from the new coating factory in Russia.

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In the future, the Group will continue to work closely with customers to further develop the OCTG coating and high-end drill pipe business in overseas regions and vigorously improve the profitability of the segment.

Line Pipe Technology and Services

For the six months ended 30 June 2018, the Group recognized revenue of RMB195.4 million from the line pipe technology and services segment, representing a slight reduction of 1.5% from the first half of 2017. This was the result of a decrease in sales of line pipe coating materials and a slight reduction in CWC services due to the timing of recognizing revenue from major contracts. However, the Group recorded a double in sales of both OCTG coating material and Corrosion Resistant Alloy (“CRA”) line pipe and an increase in line pipe coating services, which led to an improvement in segment gross profit margin from 27.4% in the first half of 2017 to 35.2% in the first half of 2018.

During the reporting period, the Group’ s CWC business achieved a significant breakthrough; obtaining an integrated pipeline anti-corrosion and weighted coating commissioned processing contract with China Petroleum Pipeline Coating Engineering Co., Ltd, worth a total consideration of not less than RMB173 million. Under the contract, Hilong will supply anti-corrosion coating and CWC as well as sacrificial anode protection installation for a single-point mooring project with a double pipeline to be built at the Bay of Bengal. The partnership will allow the Group to continue expanding into the broader pipeline anticorrosion markets around the globe.

Looking ahead, the Development and Reform Commission and Energy Bureau, which published “Mid-and-long-term oil and gas pipeline network planning”, has projected the scale of the national oil and gas pipeline network will reach 240,000 kilometers by 2025, representing an increase of approximately 80% from 2017. Hilong’s integrated pipeline solution is therefore expected to benefit from this significant development.

In respect of the international market, the line pipe technology and services segment of the Group will continue to seek growth opportunities and work closely with steel company partners, having already secured a large CWC contract. As for the CRA business, Hilong will look to further expand this business and sustain revenue growth, which has more than doubled in the first half of 2018. The Group will also actively pursue opportunities in pipeline inspection and security monitoring and early warning services in China, and build its brand in this sector.

Offshore Engineering Services

The recovery of the offshore business is under way, as substantiated by revenue of RMB185.4 million in the first half of 2018, representing a significant Y-o-Y increase of 385.3%.

The Group successfully completed the transportation and installation of three wellhead platforms, subsea pipelines and host tie-ins under an Engineering Procurement Construction Installation contract in Thailand, and Hilong trusts that this will pave the way for expanding ties with CUEL Limited. While providing wellhead platform installation services in Malaysia for Malaysia Marine and Heavy Engineering Holdings Berhad, the Group has been able to achieve cost reductions through such measures as process simplification and less subcontracting. The Group has also finished several modifications in preparation for renting out its “Hilong 106” barge to Saipem S.p.A to serve in the Tangguh field in Indonesia. The successful completion of a number of Southeast Asian projects has greatly enhanced the Group's profile and enriched its overseas operations experience in the region.

The pipe-laying and Hilong 106 derrick vessel have generated significantly more revenue in 2018 than during the industry downturn, the segment continues to show signs of recovery. Furthermore, tendering activity has increased in overseas markets that Hilong mainly operates in, including countries in Southeast Asia. There are also positive signs that many state-owned companies in China are looking to accelerate their development in overseas markets, including those along the “Belt and Road”, and the Group is actively pursuing opportunities to cooperate with these companies. The successful completion of projects in Southeast Asia has further enhanced Hilong’s reputation, allowing it to build a track record in the region, and enrich its overseas operation experience. The Group is therefore in a better position than ever to benefit from a market recovery.

Mr. Zhang concluded, “Looking to the future, international oil prices are expected to maintain at current level and further boost the oil industry chain, resulting in a clearer picture of the industry’s development trend. We will continue to focus on our core business, and will seek new opportunities in the domestic and international markets as well as expand the Group’s customer base. We will also maintain our commitment to becoming a comprehensive integrated oilfield service provider by increasing research and development into innovative high-end products, strengthening ties with renowned customers, building international brands, and delivering services that cater for customers from around the world.”

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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 has built up a diversified business framework and expanded its business to offshore engineering services. 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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