

[Press Release]



**Hilong 2017 Interim Revenue Increases 36.3%  
To Approximately RMB1,260 Million**

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**Oilfield Equipment & Line Pipe Technology  
Business Segment Rebounds  
Successfully Implementing Business Restructuring  
& Venturing Into New Business Areas**

**Financial Highlights (Unaudited)**

<i>RMB (Million)</i>	6 Months Ended 30 June		
	2017	2016	Change
<b>Revenue</b>	<b>1,256.8</b>	921.8	+36.3%
<b>Gross Profit</b>	<b>441.3</b>	323.9	+36.2%
<b>Gross Profit Margin</b>	<b>35.1%</b>	35.1%	0
<b>Profit Attributable to Equity Owners of the Company</b>	<b>65.4</b>	67.0	-2.4%
<b>Basic Earnings Per Share (RMB yuan)</b>	<b>0.0385</b>	0.0395	-2.5%

(Hong Kong, 25 August 2017) - **Hilong Holding Limited** (“Hilong” or the “Group,” stock code: 1623), a leading PRC-based integrated oilfield equipment and services provider, has today announced its unaudited interim results for the six months ended 30 June 2017.

During the period under review, though facing a complex and ever-changing market environment, as a market leader, Hilong actively pushed to expand its overseas market and maintained a steady operation. The Group recorded revenue of RMB1,260 million, representing a year-on-year increase of 36.3%. Gross profit also increased 36.2% year-on-year to reach RMB441 million. During the period, due to the exchange loss of RMB37.5 million from the operating activities as a combined result of the depreciation of the United States Dollar and Hong Kong Dollar, profit attributable to equity owners of the Group slightly dropped 2.4% year-on-year to RMB65 million.

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**Mr. Zhang Jun, Chairman and Chief Executive Officer of Hilong**, said, “In the first half of 2017, the global oil and gas market gradually recovered yet still remained relatively weak as the average crude oil price continued to remain at a significantly lower level compared to historical high points despite the fact that the joint agreement to continue to limit production was reached by the Organization of the Petroleum Exporting Countries ( “OPEC” ) and certain non-OPEC oil producing countries. During the period, while most of our customers announced plans to increase capital expenditures reflecting increased optimism towards an overall market recovery, they remained cautious. Faced with the ever-changing market, Hilong continued its strategy of international expansion and has secured several milestone contracts overseas enroute to achieving a sound performance during the review period.”

### **Oilfield Services**

During the review period, Hilong’ s oilfield services segment has continued to show signs of rebound and growth as the international oil price stabilizes. It has achieved a 8.8% year-on-year revenue growth to reach RMB374 million. As the core business of the segment, the drilling services has maintained a healthy growth rate and achieved revenue of RMB370 million, representing a 43.4% year-on-year growth. The domestic oilfield service industry is generally faced with the predicament of a sharp decline in volume of work and a decrease in day rate. Nonetheless, capitalizing on its comprehensive and reliable technical abilities, high-end drilling rig fleet and technical service fleet, good QHSE performance and a diversified customer base, Hilong has still maintained the normal operation of its drilling rig fleet and a relatively strong bargaining power amidst the turbulent market. In addition, in the first half of 2017, the oilfield services of Hilong have efficiently improved its utilization rate of drilling rigs under the existing contracts.

In the interim period, Hilong has also participated in a number of tenders in several regions, including the Middle East, South East Asia and Central Asia. In addition, the oilfield technological services business has successfully secured a comprehensive integrated technological services contract in Pakistan, a significant breakthrough, and has once again demonstrated Hilong’ s technical strength, leading position and customer recognition in drilling services. This business is another key development direction of Hilong’ s oilfield services in the future and is consistent with the Group’ s asset-light strategy. In the future, Hilong intends to increase the capability of its technology team and the investment of resources to vigorously expand the content and scope of its standalone technical services and comprehensive services, and to develop it into a diversified revenue source for the oilfield services segment, further promoting its transformation into a comprehensive integrated oilfield services provider.

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### **Oilfield Equipment Manufacturing and Services**

Oilfield equipment manufacturing and services has always been the core business of the Company. During the period, this business has achieved a tremendous year-on-year revenue growth of 60.4% to reach RMB646 million. The revenue generated from the drill pipe and related products business has increased 54.5% year-on-year to reach RMB496 million, with revenue from the OCTG coating services business having risen 37.7% year-on-year to reach RMB95.0 million.

The increase of revenue of the drill pipe and related products business was mainly attributed to the rapid growth of market share from the region of the former Union of Soviet Socialist Republics. As early as in 2015, Hilong has precisely targeted and captured the market dynamics, and has proactively adjusted the strategic focus of its sales regions. Against the depressed global oil and gas industry, Hilong has decided to focus its resources on developing the drill pipes market in Russia and its surrounding areas. In November 2016, Hilong successfully signed an order for a large quantity of drill pipes and related products with Rosneft Oil Company (“Rosneft”) and will provide drill pipes and related products for all nine Rosneft sites in Russia in 2017. In addition, in the first half of the year, Hilong signed a bid order for a large quantity of drill pipes and related products with Uzbekistan’s State Oil and Gas Company in that country. In the first half of the year, the production lines of Hilong’s drill pipes have been operating at full capacity to supply products to Russia and its surrounding areas.

The increase in OCTG coating services revenue was mainly due to the recovery of the overall market and the technological advantage of Hilong’s coating services and branding effects. The coating business has shown signs of recovery along with the recovery of global oil prices, and the increase in demand in global markets, in particular in North America, Russia and China. Since the establishment of the OCTG coating services business, Hilong has maintained its leading position in the area of coating services of drill pipes. Over the recent years, Hilong has continued to be proactive and strived to expand its scope of services and revenue sources.

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### **Line Pipe Technology and Services**

During the period, revenue from the line pipe technology and services segment reached RMB198 million, representing a 39.8% increase compared with the same period in 2016. In 2017, Hilong continued to implement the development strategy emphasizing diversification, high-end development and internationalization in this segment. This strategy aims at strengthening Hilong' s domestic and international competitiveness in the fields of line pipe coating services, bi-metallic compound pipelines, pipeline inspection and CWC (concrete weighted coating) services through coordinating the development in both domestic and international markets, effectively expanding revenue sources, and minimizing market risks. In the first half of the year, Hilong succeeded to secure an order for large-scale anti-corrosive coating and offshore concrete weighted coating services from Zhejiang Petrochemical Co., Limited, further demonstrating its technological capability and rich experience in that business area. During the first half of the year, Hilong' s pipeline coating services business has secured the APA-RCWP project and Proyek Pelaksanaan Pekerjaan Pengembangan Jaringan Daerah Dumai (PJDD) project in Indonesia. In addition, Hilong has won the Pakistani PPL Project, the offshore pipeline construction of Dongfang 13-2 gas field project and the gas collection pipeline project of Keshen District 2. In addition, Hilong has secured the CWC services contract for the Mamu depot - Yushan oil transmission pipeline construction. As for pipeline inspection, Hilong has won the CNPC Chuandong gas pipeline, CNPC Chongqing gas mine and Tarim Oilfield Kashgar projects. These successes have highlighted the diversification, high-end development and internationalization of our pipeline technology and services segment, and serve to efficiently enhance the overall profitability of the segment. Looking ahead, the Group is continuing to focus on its core services which is line pipe coating while devoting greater efforts to develop innovative products and services such as CWC and line pipe inspection services.

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### **Offshore Engineering Services**

In 2017, the offshore engineering services segment achieved sound growth and successfully secured several overseas project contracts. During the period, revenue of this segment increased 15.2% year-on-year to reach RMB38.2 million. During the period, Hilong successfully secured an important contract from a Thailand-Malaysia joint venture, pursuant to which “Hilong 106,” the Group’s pipe-laying and derrick vessel, undertook work such as offshore pipeline laying, conduit rack, and the hoisting of upper modules for an offshore gas field development project at an oilfield in Southeast Asia. This marked the first offshore engineering services contract Hilong has won in the regions of Thailand and Malaysia, laying a solid foundation for undertaking projects in this region in the future. In the first half of 2017, in order to expand the business scope of the offshore engineering and derrick business segment, relying on the design and management capabilities of its professional project management team, Hilong has successfully completed the offshore transportation turnkey contract of the Large Steel Cylinder (Experimental Stage) Project of the New Sanya Airport (三亞新機場大型鋼筒（試驗段）項目). This has laid a sound foundation for further securing the transportation and installation contract for steel cylinder piling at the New Sanya Airport (三亞新機場鋼筒沉樁運輸與安裝合同).

Going forward, Hilong has secured a number of projects scheduled to start from the fourth quarter of 2017 through to the third quarter of 2018 further demonstrating the Group’s offshore brand recognition and capability. Hilong will continue to broaden its customer base as well as types of projects (oil and gas related as well as civil projects) it services in both the domestic and overseas markets.

**Mr. Zhang** concluded, “Looking at the second half of 2017, Hilong remains confident that it will achieve a rebound in the operations of our overall business. The Group will still faces multiple market challenges such as continued low international oil prices and a corresponding demand for the Company’s products and services. However, the Company remains optimistic in relation to the future. In the past few years, Hilong has been very successful in quickly implementing business restructuring and venturing into new business areas in order to proactively address the fast-changing market environment. Our unique and diversified business portfolio has helped us to weather the turbulent conditions in the past couple of years and the Company will continue to focus on its core operations while exploring potential business adjustments to accommodate the fast-changing market environment, improve profitability and minimize market-related risks. We believe that by following the business philosophy of integrating products together with services, Hilong will strive to become a top services provider with a strong contribution from its high-end equipment portfolio.”

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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 the 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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