

【Press Release】



**HILONG MAINTAINS STABLE OPERATIONS IN 2016
REALIZING REVENUE OF RMB1,929 MILLION**

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**CONTINUES TO FURTHER INTERNATIONALIZATION PLAN
CONSOLIDATES DIVERSIFIED BUSINESS PORTFOLIO**

Financial Highlights (Audited)

RMB (Million)	12 months ended 31 December		
	2016	2015	Change
Revenue	1,929.0	2,484.3	-22.4%
Gross Profit	666.8	809.9	-17.7%
Gross Profit Margin	34.6%	32.6%	+2ppt
Profit Attributable to Equity Owners of the Company	124.6	161.0	-22.6%
Basic Earnings Per Share (RMB yuan)	0.0735	0.0949	-22.6%

(Hong Kong, 24 March 2017) - **Hilong Holding Limited** (“Hilong” or the “Group,” stock code: 1623), a leading PRC-based integrated oilfield equipment and services provider, today announced its audited annual results for the 12 months ended 31 December 2016 (“Review Year”).

During the Year under review, despite the overall weak market and decreased capital expenditure of clients in the first three quarters, Hilong still maintained stable operation of its business, realizing a relatively stable revenue of RMB1,929 million, representing a decrease of 22.4% as compared with 2015. Profit attributable to equity owners of the Company was RMB125 million, representing a decrease of 22.6% against 2015.

Mr. Zhang Jun, Chairman and Chief Executive Officer of Hilong, said, “In 2016, the oil and gas market started to recover slowly in the fourth quarter. However, in the first three quarters, with the overall weak market and decreased capital expenditure of clients, Hilong’s business faced severe challenges. Notwithstanding that, 2016 was also a year during which Hilong furthered its internationalization plan. The Group’s drill pipe plant in Russia began operation during the year, marking the entry of oilfield services of the Group into the European drilling service market, and the Group also won the first overseas offshore engineering contract. All these have given the Group impetus to achieve sustainable development in the future.”

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Oilfield Services

The oilfield services segment maintained healthy operation in general, and remained as the core revenue source of the Group. During the year, the segment realized revenue of RMB709 million, representing a decrease of 23.2% as compared with 2015. The global oil and gas market was in the slump throughout the year, and as such the oilfield service industry, domestic or overseas, recorded a sharp decline in production volume as well as a significant drop of day rate. Hilong, which has a high-end drilling rig fleet and a diversified customer base, actively participated in project bids and timely adjusted its drilling rig deployment, to make sure its drilling rig fleet operated normal and had relatively stronger bargaining power albeit the turbulent market.

In 2016, Hilong secured a new customer, Pakistan State Oil Limited, and the two parties signed a long-term drilling contract. Furthermore, Hilong's oilfield services also landed in the European drilling service market in June for the first time. The HL-30 drilling fleet of Oilfield Services Albania Branch will carry out ultra deep drilling for Shell Oil Company Limited in Albanian region. And, the HL-6 drilling fleet of Oilfield Service Kazakhstan Branch won the tender of Geo-jade Petroleum's project in Kazakhstan for turnkey drilling service. The fact that Hilong was able to win new customer and contract in the testing market environment once again proved that it has formidable strength as a player in the international premium onshore drilling services realm.

A significant breakthrough in integrated services was achieved by the Group in 2016. After two years of preparation and nurturing, Hilong has established an integrated services team that provides services in a number of areas including completion fluids, directional drilling, horizontal drilling, oil and gas testing, cuttings and sewage treatment and well completion, and service contracts were secured from various customers, local and overseas. During the year, the integrated services team provided oil and gas testing in the exploration area in Ethiopia for Poly-GCL Petroleum Group Holdings Limited and integrated technical services in Pakistan for United Energy Group Limited. Hilong will continue to bolster the team's technological capabilities and resources and forcefully expand the content and scope of its integrated services, thereby open diverse revenue sources for the oilfield services segment, and in turn enable the Group to transform into an integrated one-stop oilfield services provider in the future.

Oilfield Equipment Manufacturing and Services

The oilfield equipment manufacturing and services segment achieved total revenue of RMB781 million in 2016, representing an increase of 15.5% as compared with 2015. Benefited by the rapid growth of market share in Russia and customers in other regions replenishing inventories, drill pipe and related products business generated revenue amounting to RMB579 million, representing an increase of 26.4% as compared with 2015. And, OCTG coating services business recorded a RMB203 million revenue during the reporting period, representing a decrease of 7.4% as compared with 2015.

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As early as in 2015, Hilong was able to capture market changes and actively adjusted its regional sales focus, directing resources onto exploring demand for drill pipes in Russia and her vicinity. To more effectively develop the drill pipe market, Hilong relocated some of its drill pipe production lines to Russia in 2015 and those production lines commenced operation in the second half of 2016. The Group plans to relocate a second production line from the Middle East to Russia in the second half of 2017. Localized production has made Hilong's products more competitive and enabled Hilong to enlarge its market share in Russia. In November 2016, Hilong received a bulk order for drill pipes and related products from Rosneft Oil Company. It will provide drill pipes and related products at all nine sites of Rosneft in Russia in 2017. In addition, Hilong continued to invest in development and promotion of drill pipe products during the year, succeeded in improving research and development of materials and processes, which allowed it to substantially increase production efficiency and reduce drilling pipe production costs. The non-API drill pipe products developed by Hilong were also highly recognized by customers and widely used in across the industry.

As for the OCTG coating services business, although its revenue declined due to the drop in demand in the North America and China markets, relevant services managed a major breakthrough in the Middle-East market, with liquid and powder coating securing full certification by the Petroleum Development Oman. Moreover, the Group secured a trial order for ground pipelines of total length about 30 kilometers from the Petroleum Development Oman in the second half of 2016. Ground-level pipeline coating business also reported major breakthroughs in 2016, securing orders from the Dagang Oil Field and Changqing Oilfield, which have strengthened the Company's competitiveness in provision of OCTG coating services. With oil prices climbing in the fourth quarter, coating business showed signs of recovery and landed several large orders in Russia.

Line Pipe Technology and Services

The line pipe technology and services segment realized revenue of RMB371 million in 2016, a significant increase of 25.9% as compared with 2015. In 2016, Hilong continued to implement the development strategy with emphases on diversification, high-end and internationalization for the segment. With a brilliant track record established through participation in large domestic projects such as West-East Gas Pipe Lines I, II and III Project and specific sections of CNPC's Shaan-Jing III and IV Project, and extensive experiences accumulated in overseas markets in recent years, Hilong was able to secure several orders in and outside China in the competitive market environment. These orders included the allocation and coating business from Sinopec Petroleum for its Maoming Project; the irregular bend tubes contract from KOC Company in Kuwait; the LNG Project in Pakistan; coating business in Algeria from High Sealed & Coupled Seamless Steel Pipe Company Limited and the coating business for Shaan-Jing IV Project. During the year, the most remarkable achievement of the segment was the provision of traditional anti-corrosive coating and offshore concrete weighted coating services to the Maoming Project of Sinopec Petroleum. The offshore concrete weighted pipelines of the project are of the largest diameter, not only in China but internationally. Participating in the project has allowed Hilong to notably improve its weight production process and its line pipe technology and services segment to accumulate experience for undertaking large diameter pipeline

projects in the future.

The line pipe inspection business continued to maintain a good development momentum and provided pipeline inspection services under the external inspection project of Shanghai Network Pipeline Limited, the internal inspection project for gas pipe in Ake Kashgar for Tarim Oilfield Southwest Exploration and Development Company (塔里木油田西南勘探開發公司) and inspection of drilling tools and wear-resistant tape welding business provided by Hilong Oilfield Service Albania Branch to a Shell Oil project. Such undertakings have expanded the Group's business scope and international market. In addition, Hilong has actively followed up on potential pipeline inspection service projects with other customers, so as to realize diversified, high-end and international development and enhance Hilong's competitiveness in the international line pipe coating services field.

In the future, apart from actively participating in large projects in the country and cementing its position in the domestic market, Hilong will also put greater effort into development of overseas market including continuing to closely cooperate with Algeria HSC on the anti-corrosion front and keep pushing for development of its integrated services business in the Pakistan and Russian markets. For offshore concrete weighted, we will seek opportunities to participate in the international major line pipe projects and build up a track record.

Offshore Engineering Services

In 2016, offshore engineering services segment faced tough challenges with oil price lingering low. During Review Year, the segment achieved total revenue of RMB67.84 million, representing a marked decline relative to 2015. Nevertheless, with Hilong's offshore pipelines laying construction for CNOOC's East China Sea Project and Weizhou Phase II Project in Gulf of Tonkin of South China Sea in 2015 receiving high industry acclaims, a solid foundation had been laid for Hilong to secure orders in the tough market environment. Came 2016, the Group was able to secure the WMO Project contract from TIMAS in Indonesia, for the service of the offshore pipe-laying and derrick vessel "Hilong 106" in works such as offshore pipeline laying, conduit rack, and hoisting of the upper module for an offshore gas field development project for an oilfield in Southeast Asia. This was the first offshore pipe laying and derrick operations contract and also the first offshore engineering service contract in the overseas market won by Hilong.

In addition, Hilong also secured a contract from CNPC Offshore Engineering Company Limited (CPOE) for its Zhoushan Phase III Project during the year, involving provision of pipe-laying services of 48-inch water supply pipes. And, Hilong's offshore engineering design service team won a part of the subcontracted design service for a project of Sinopec Shanghai Offshore Petroleum Bureau in the North Sea, the United Kingdom and also a water pump installation and design contract from CPOE Zhoushan. Hilong's offshore engineering team also landed the offshore transportation turnkey contract for the Large Steel Cylinder (Experimental Stage) Project at the New Sanya Airport (三亞新機場大型鋼筒(試驗段)項目) in 2016, which has given the Group a sound foundation for winning transportation and installation of steel cylinder piling contracts at the New Sanya Airport (三亞新機場鋼筒沉樁運輸與安裝合同).

Looking ahead, other than the traditional offshore oil and gas development industry, Hilong also see offshore wind power installation, sewage pipeline construction in coastal cities, water and gas supply pipeline construction, and dock and bridge construction as a major part of it offshore engineering business to develop. The hope of the Group is to establish an “integrated service platform” that it may become an all-round general contractor capable of undertaking various offshore installation service contracts.

Mr. Zhang concluded, “Looking at 2017, as the oil and gas industry recovers and capital expenditure climbs worldwide, balance in supply and demand in the oil market is expected to return. Despite many challenges in the market, the Group’s different business segments were on obvious rebound in the fourth quarter. In the past few years, Hilong has actively explored the path for reform and development, and has devised a diversified business portfolio through restructuring established businesses and venturing into new businesses. In the future, Hilong will continue to focus on specialized operations while striving to improve profitability and risk resistance by maintaining a moderately diversified business portfolio, thereby lay a solid foundation for its development in the new stage and the new market environment.”

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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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