Hilong Holding Limited
海隆控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1623)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB2,264.4 million, representing an increase of approximately 23.5% as compared with 2011.
- Gross profit was approximately RMB895.3 million, representing an increase of approximately 19.2% as compared with 2011. Gross profit margin was approximately 39.5% in 2012.
- Profit attributable to equity owners of the Company was approximately RMB345.0 million, representing an increase of approximately 14.2% as compared with 2011.
- Basic earnings per share was approximately RMB0.2168, representing an increase of 5.0% as compared with 2011.
- The Board resolved to recommend a final dividend of HK7.6 cents per share for the year ended 31 December 2012, which is subject to the shareholders' approval at the forthcoming annual general meeting of the Company.

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of Hilong Holding Limited (the "**Company**" or "**Hilong**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") prepared according to the Hong Kong Financial Reporting Standards ("**HKFRS**") for the year ended 31 December 2012 with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

		Year ended 31 December	
	Note	**2012**	2011
		RMB'000	*RMB'000*
			(Restated)
			(Note 12)
Revenue	*3*	**2,264,373**	1,833,519
Cost of sales		**(1,369,093)**	(1,082,197)
Gross profit		**895,280**	751,322
Selling and marketing expenses		**(117,253)**	(109,454)
Administrative expenses		**(285,634)**	(245,360)
Other income	*6*	**–**	34,067
Other losses – net	*7*	**(14,867)**	(9,243)
Operating profit		**477,526**	421,332
Finance income	*8*	**1,503**	1,192
Finance costs	*8*	**(73,227)**	(46,748)
Finance costs – net		**(71,724)**	(45,556)
Share of results of:			
– Associates		**1,716**	(4,096)
– Jointly controlled entities		**(945)**	(6,754)
Profit before income tax		**406,573**	364,926
Income tax expense	*9*	**(45,146)**	(45,034)
Profit for the year		**361,427**	319,892
Profit attributable to:			
Equity owners of the Company		**345,001**	302,020
Non-controlling interests		**16,426**	17,872
		361,427	319,892
Earnings per share from operations attributable to the equity owners of the Company during the year (expressed in RMB per share)			
Basic earnings per share	*10*	**0.2168**	0.2065
Diluted earnings per share	*10*	**0.2168**	0.2065
Dividends	*11*	**100,462**	89,017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
		(Note 12)
Profit for the year	**361,427**	319,892
Other comprehensive income:		
Currency translation differences	**(954)**	(6,175)
Exchange differences arising from monetary items that forms part of the Group's net investment in certain foreign subsidiaries	**(2,105)**	(16,015)
Other comprehensive income for the year, net of tax	**(3,059)**	(22,190)
Total comprehensive income for the year	**358,368**	297,702
Attributable to:		
Equity owners of the Company	**341,942**	279,830
Non-controlling interests	**16,426**	17,872
	358,368	297,702

CONSOLIDATED BALANCE SHEET
As at 31 December 2012

		As at 31 December	
	Note	**2012**	2011
		RMB'000	*RMB'000*
			(Restated)
			(Note 12)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,253,744**	1,096,113
Lease prepayments		**85,566**	86,589
Intangible assets		**71,094**	69,397
Investments in associates		**53,683**	53,539
Investments in jointly controlled entities		**21,828**	5,143
Deferred income tax assets		**93,504**	60,832
Other long-term assets		**2,216**	553
		1,581,635	1,372,166
Current assets			
Inventories		**586,344**	509,510
Trade and other receivables	*4*	**1,385,225**	1,313,152
Restricted cash		**82,965**	56,801
Cash and cash equivalents		**403,962**	325,500
		2,458,496	2,204,963
Total assets		**4,040,131**	3,577,129
EQUITY			
Capital and reserve attributable to equity owners of the Company			
Ordinary shares		**133,613**	133,927
Other reserves		**774,039**	764,232
Retained earnings			
– Proposed final dividend	*11*	**100,462**	89,017
– Others		**1,146,171**	906,623
Currency translation differences		**(36,709)**	(33,650)
		2,117,576	1,860,149
Non-controlling interests		**187,858**	178,473
Total equity		**2,305,434**	2,038,622

		As at 31 December	
	Note	**2012**	2011
		RMB'000	*RMB'000*
			(Restated)
			(Note 12)
LIABILITIES			
Non-current liabilities			
Borrowings		**292,971**	178,741
Deferred income tax liabilities		**95,872**	86,951
Derivative financial instruments		**33,526**	12,810
Deferred revenue		**20,989**	20,250
		443,358	298,752
Current liabilities			
Trade and other payables	*5*	**582,775**	624,860
Current income tax liabilities		**61,903**	31,539
Borrowings		**646,261**	582,956
Deferred revenue		**400**	400
		1,291,339	1,239,755
Total liabilities		**1,734,697**	1,538,507
Total equity and liabilities		**4,040,131**	3,577,129
Net current assets		**1,167,157**	965,208
Total assets less current liabilities		**2,748,792**	2,337,374

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Note	Capital and reserves attributable to equity owners						
		Ordinary shares RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Cumulative translation differences RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2010 as previously reported		811	(82,328)	776,116	(11,803)	682,796	222,813	905,609
Business combination under common control		–	7,033	(22,824)	343	(15,448)	–	(15,448)
As at 1 January 2011 as restated		811	(75,295)	753,292	(11,460)	667,348	222,813	890,161
Comprehensive income								
Profit for the year		–	–	302,020	–	302,020	17,872	319,892
Other comprehensive income								
Currency translation differences		–	–	–	(6,175)	(6,175)	–	(6,175)
Exchange differences arising from monetary items that forms part of the Group's net investment in certain foreign subsidiaries		–	–	–	(16,015)	(16,015)	–	(16,015)
Total comprehensive income for the year		–	–	302,020	(22,190)	279,830	17,872	297,702
Appropriation to statutory reserve		–	7,392	(7,392)	–	–	–	–
Transactions with owners								
Issue of new shares pursuant to global initial public offering, netting of listing expenses		33,576	783,905	–	–	817,481	–	817,481
Series A preferred shares converted into ordinary shares		4	170,128	–	–	170,132	–	170,132
Capitalization issue		99,924	(99,924)	–	–	–	–	–
Capital increase to subsidiaries by their then equity owners		–	19,767	–	–	19,767	–	19,767
Share repurchase								
– repurchases of shares		(388)	–	–	–	(388)	–	(388)
– premium on repurchase of shares		–	(5,064)	–	–	(5,064)	–	(5,064)
– transfer		–	388	(388)	–	–	–	–
Non-controlling interests' contributions to the Group		–	–	–	–	–	2,960	2,960
Consideration paid to the then equity owners for acquisition of subsidiaries under common control		–	(9,529)	–	–	(9,529)	–	(9,529)
Pre-IPO share option plan		–	11,214	–	–	11,214	–	11,214
Dividends in respect of 2010		–	–	(51,892)	–	(51,892)	–	(51,892)
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–	(5,780)	(5,780)
Non-controlling interests arising on business combination		–	–	–	–	–	10,286	10,286
Changes in ownership interests in subsidiaries without change of control		–	(38,750)	–	–	(38,750)	(69,678)	(108,428)
As at 31 December 2011 as restated		133,927	764,232	995,640	(33,650)	1,860,149	178,473	2,038,622

	Note	Capital and reserves attributable to equity owners						
		Ordinary shares	Other reserve	Retained earnings	Cumulative translation differences	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011 as previously reported		**133,927**	**742,707**	**1,018,135**	**(34,625)**	**1,860,144**	**178,473**	**2,038,617**
Business combination under common control		–	21,525	(22,495)	975	5	–	5
As at 1 January 2012 as restated		**133,927**	**764,232**	**995,640**	**(33,650)**	**1,860,149**	**178,473**	**2,038,622**
Comprehensive income								
Profit for the year		–	–	345,001	–	345,001	16,426	361,427
Other comprehensive income								
Currency translation differences		–	–	–	(954)	(954)	–	(954)
Exchange differences arising from monetary items that forms part of the Group's net investment in certain foreign subsidiaries		–	–	–	(2,105)	(2,105)	–	(2,105)
Total comprehensive income for the year		–	–	345,001	(3,059)	341,942	16,426	358,368
Appropriation to statutory reserve		–	4,677	(4,677)	–	–	–	–
Transactions with owners								
Share repurchase								
– repurchases of shares		(314)	–	–	–	(314)	–	(314)
– premium on repurchase of shares		–	(3,915)	–	–	(3,915)	–	(3,915)
– transfer		–	314	(314)	–	–	–	–
Consideration paid to the then equity owners for acquisition of subsidiaries under common control		–	(380)	–	–	(380)	–	(380)
Pre-IPO share option plan		–	9,111	–	–	9,111	–	9,111
Dividends in respect of 2011	*11*	–	–	(89,017)	–	(89,017)	–	(89,017)
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–	(7,041)	(7,041)
As at 31 December 2012		**133,613**	**774,039**	**1,246,633**	**(36,709)**	**2,117,576**	**187,858**	**2,305,434**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1 GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on 15 October 2008 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands in preparation for listing the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in manufacturing and distribution of oil and gas drilling equipment and coating materials, and provision of coating and oilfield services.

The Company completed its global initial public offering and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 21 April 2011 (the "**Listing**").

The consolidated financial statements are presented in Renminbi thousand (RMB'000), unless otherwise stated.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the derivative financial instruments at fair value through profit or loss.

(a) New and amended standards adopted by the Group

- HKFRS 7 (Amendment) "Disclosures – Transfers of financial assets" is effective for annual periods beginning on or after 1 July 2011. This amendment promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The change in accounting policy only results in additional disclosures.

(b) Amendments to existing standards effective in 2012 but not relevant to the Group

- HKFRS 1 (Amendment), "Severe hyperinflation and removal of fixed dates for first-time adopters", effective for annual period beginning on or after 1 July 2011.

- HKFRS 12 (Amendment), "Deferred tax: Recovery of underlying assets", effective for annual periods beginning on or after 1 January 2012.

(c) **The following new standards and amendments and interpretation to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group**

- HKAS 1 (Amendment) "Presentation of financial statements", effective for the accounting period beginning on or after 1 July 2012.
- HKFRS 10 "Consolidated financial statements", effective for the accounting period beginning on or after 1 January 2013.
- HKAS 27 (revised 2011) "Separate financial statements", effective for the accounting period beginning on or after 1 January 2013.
- HKFRS 11 "Joint arrangements", effective for the accounting period beginning on or after 1 January 2013.
- HKAS 28 (revised 2011) "Associates and joint ventures", effective for the accounting period beginning on or after 1 January 2013.
- HKFRS 12 "Disclosures of interests in other entities", effective for the accounting period beginning on or after 1 January 2013.
- HKFRS 13 "Fair value measurement", effective for the accounting period beginning on or after 1 January 2013.
- HKAS 19 (Amendment) "Employee benefits", effective for the accounting period beginning on or after 1 January 2013.
- HKFRS 7 (Amendment) "Financial instruments: Disclosures – Offsetting financial assets and financial liabilities", effective for the accounting period beginning on or after 1 January 2013.
- HK(IFRIC) – Int 20 "Stripping costs in the production phase of a surface mine", effective for the accounting period beginning on or after 1 January 2013.
- Annual improvements 2011, effective for the accounting period beginning on or after 1 January 2013.
- HKFRS 1 (Amendment) "First time adoption on government loans", effective for the accounting period beginning on or after 1 January 2013.
- HKFRS 10, 11 and 12 (Amendment) "Transition guidance", effective for the accounting period beginning on or after 1 January 2013.
- HKAS 32 (Amendment) "Financial instruments: Presentation – Offsetting financial assets and financial liabilities", effective for the accounting period beginning on or after 1 January 2014.
- HKFRS 9 "Financial instruments", effective for the accounting period beginning on or after 1 January 2015.
- HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures", effective for the accounting period beginning on or after 1 January 2015.

The directors anticipate that the adoption of these new standards, amendments to standards and interpretation to standards will not result in a significant impact on the results and financial position of the Group.

3 SEGMENT INFORMATION

The chief operating decision-maker has been identified as senior executive management. Senior executive management reviews the Group's internal reporting in order to assess performance and allocate resources. Senior executive management has determined the operating segment based on these reports.

Senior executive management considers the business from a business perspective, and assesses the performance of the business segment based on profit before income tax without allocation of finance income/(costs), and share of profits of associates and jointly controlled entities, which is consistent with that in the consolidated financial statements.

The amount provided to senior executive management with respect to total assets is measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of segment. Investments in associates, and jointly controlled entities are not considered to be segment assets but rather are managed by the treasury function.

The amount provided to senior executive management with respect to total liabilities is measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of segment.

The Group's operations are mainly organized under the following business segments:

- Oil and gas equipment production, including the production of drilling pipes which are used in drilling exploration or production wells for oil and gas producers;

- Coating materials production and coating service provision, including the production of coating materials for anticorrosive and anti-friction purpose and provision of coating services; and

- Oilfield services provision, including the provision of well drilling services to oil and gas producers.

(a) Revenues

The revenue of the Group for the years ended 31 December 2012 and 2011 are set out as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Drill pipes and related products	**1,010,868**	903,725
Coating materials and services	**635,865**	505,638
Oilfield services	**617,640**	424,156
	2,264,373	1,833,519

(b) Segment information

The segment information provided to senior executive management for the reportable segments as at and for the year ended 31 December 2012 is as follows:

Business segment	**For the year ended 31 December 2012**			
	Drill pipes and related products *RMB'000*	**Coating materials and services** *RMB'000*	**Oilfield services** *RMB'000*	**Total** *RMB'000*
Revenue				
Segment revenue	**1,140,830**	**765,932**	**617,640**	**2,524,402**
Inter-segment sales	**(129,962)**	**(130,067)**	**–**	**(260,029)**
Revenue from external customers	**1,010,868**	**635,865**	**617,640**	**2,264,373**
Results				
Segment gross profit	**388,634**	**262,346**	**244,300**	**895,280**
Segment profit	**159,817**	**162,915**	**154,794**	**477,526**
Finance income				**1,503**
Finance costs				**(73,227)**
Share of profit of associates				**1,716**
Share of losses of jointly controlled entities				**(945)**
Profit before income tax				**406,573**
Other information				
Depreciation of property, plant and equipment	**37,232**	**18,569**	**48,843**	**104,644**
Amortization of lease prepayments	**888**	**135**	**–**	**1,023**
Amortization of intangible assets	**264**	**223**	**–**	**487**
Capital expenditure	**22,408**	**79,838**	**264,707**	**366,953**

Business segment	**As at 31 December 2012**			
	Drill pipes and related products *RMB'000*	**Coating materials and services** *RMB'000*	**Oilfield services** *RMB'000*	**Total** *RMB'000*
Segment assets	**2,033,160**	**863,542**	**1,067,918**	**3,964,620**
Investments in associates				**53,683**
Investments in jointly controlled entities				**21,828**
Total assets				**4,040,131**
Total liabilities	**1,335,875**	**321,491**	**77,331**	**1,734,697**

The segment information provided to senior executive management for the reportable segments as at and for the year ended 31 December 2011 is as follows:

	For the year ended 31 December 2011			
Business segment	**Drill pipes and related products** *RMB'000* **(Restated)**	**Coating materials and services** *RMB'000*	**Oilfield services** *RMB'000*	**Total** *RMB'000* **(Restated)**
Revenue				
Segment revenue	972,856	567,497	424,156	1,964,509
Inter-segment sales	(69,131)	(61,859)	–	(130,990)
Revenue from external customers	903,725	505,638	424,156	1,833,519
Results				
Segment gross profit	376,121	206,198	169,003	751,322
Segment profit	210,993	123,835	86,504	421,332
Finance income				1,192
Finance costs				(46,748)
Share of losses of associates				(4,096)
Share of losses of jointly controlled entities				(6,754)
Profit before income tax				364,926
Other information				
Depreciation of property, plant and equipment	39,076	13,747	27,325	80,148
Amortization of lease prepayments	888	111	–	999
Amortization of intangible assets	238	218	–	456
Capital expenditure	108,516	24,572	226,006	359,094

	As at 31 December 2011			
Business segment	**Drill pipes and related products** *RMB'000* **(Restated)**	**Coating materials and services** *RMB'000*	**Oilfield services** *RMB'000*	**Total** *RMB'000* **(Restated)**
Segment assets	1,901,650	783,370	833,427	3,518,447
Investments in associates				53,539
Investments in jointly controlled entities				5,143
Total assets				3,577,129
Total liabilities	1,028,550	336,162	173,795	1,538,507

(c) Geographical segments

Although the Group's three segments are managed on a worldwide basis, they operate in five principal geographical areas of the world. In the People's Republic of China (the "**PRC**"), the Group produces and sells a broad range of drill pipes and related products, and provides coating materials and services. In Russia, Central Asia, East Europe, Middle East and North and South America, the Group sells drill pipes and related products. In Central Asia, Middle East, West Africa and South America, the Group provides drilling services and related engineering services. The following table shows the Group's total consolidated revenue by geographical market, regardless of where the goods were produced:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
The PRC	**1,273,120**	994,924
North and South America	**510,009**	373,397
Russia, Central Asia and East Europe	**219,822**	159,826
West Africa	**156,191**	42,638
Middle East	**92,346**	247,258
Others	**12,885**	15,476
	2,264,373	1,833,519

The following tables show the carrying amount of non-current assets, excluding investments in associates, investments in jointly controlled entities, deferred income tax assets and other long-term assets by geographical areas in which the assets are located:

	Carrying amount of segment assets As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
The PRC	**684,995**	733,964
North and South America	**404,174**	155,495
Middle East	**142,213**	236,871
West Africa	**132,516**	72,435
Russia, Central Asia and East Europe	**46,506**	53,334
	1,410,404	1,252,099

The following tables show the additions to non-current assets, excluding investments in associates, investments in jointly controlled entities, deferred income tax assets and other long-term assets by geographical areas in which the assets are located:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
North and South America	**288,614**	90,587
West Africa	**74,514**	76,804
The PRC	**2,523**	206,358
Russia, Central Asia and East Europe	**1,234**	11,802
Middle East	**68**	185,237
	366,953	570,788

4 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Bills receivable (a)	**72,799**	31,878
Trade receivables (b)		
– Due from related parties	**26,282**	59,350
– Due from third parties	**1,041,354**	968,580
Less: provision for impairment of receivables (d)	**(23,383)**	(11,033)
Trade receivables – net	**1,044,253**	1,016,897
Other receivables (c)	**119,665**	99,863
Prepayments	**148,508**	164,514
Trade and other receivables – net	**1,385,225**	1,313,152

As at 31 December 2012 and 2011, the fair value of the trade and other receivables of the Group, except for the prepayments which are not financial assets, approximated their carrying amounts.

As at 31 December 2012, the carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
– RMB	**1,018,336**	1,043,325
– USD	**244,241**	225,989
– CAD	**44,321**	11,903
– KZT	**30,283**	10,083
– NGN	**24,487**	14,750
– COP	**13,208**	–
– AED	**10,339**	3,021
– HKD	**10**	4,081
	1,385,225	1,313,152

(a) The ageing of bills receivable is within 180 days, which is within the credit term.

(b) The ageing analysis of trade receivables, before provision for impairment, as at 31 December 2012 and 2011 was as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables, gross		
– Within 90 days	**748,401**	602,677
– Over 90 days and within 180 days	**112,495**	213,645
– Over 180 days and within 360 days	**81,418**	109,046
– Over 360 days and within 720 days	**82,096**	75,107
– Over 720 days	**43,226**	27,455
	1,067,636	1,027,930

The credit period granted to customers is between 30 to 270 days. No interest is charged on the trade receivables.

As at 31 December 2012, trade receivables of RMB23,383,000 (31 December 2011: RMB11,033,000) were impaired and fully provided for impairment losses. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of goods/rendering of service. This provision has been determined by reference to past default experience.

As at 31 December 2012, no trade receivables were pledged as collaterals for the Group's borrowing.

As at 31 December 2011, trade receivables of RMB10,694,000 were pledged as collaterals for the Group's borrowing.

As at 31 December 2012, trade receivables of RMB295,852,000 (31 December 2011: RMB414,220,000) were past due but not impaired. These mainly relate to the customers that are state-owned companies which have good trading records with the Group. Based on the past experiences, the directors believe that no impairment provision is necessary in respect of these balances as there has not been a significant change in their credit quality and the balances are considered fully recoverable. The ageing analysis of these trade receivables past due but not impaired at respective balance sheet dates is as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
– Within 90 days	**112,495**	213,645
– Over 90 days and within 180 days	**69,695**	74,423
– Over 180 days and within 360 days	**51,440**	76,456
– Over 360 days and within 720 days	**40,679**	39,897
– Over 720 days	**21,543**	9,799
	295,852	414,220

(c) Details of other receivables are as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Due from related parties	**65,860**	55,740
Staff advance	**14,452**	14,221
Value added tax refund	**2,291**	11,074
Due from non-controlling interests	**2,750**	6,000
Others	**34,312**	12,828
	119,665	99,863

(d) Movements in provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
At beginning of the year	**(11,033)**	(11,033)
Provision for impairment	**(12,350)**	–
At the end of the year	**(23,383)**	(11,033)

5 TRADE AND OTHER PAYABLES

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Bills payable	**130,176**	103,195
Trade payables:		
– Due to related parties	**–**	10,135
– Due to third parties	**266,461**	312,406
Other payables:		
– Due to related parties	**–**	33,900
– Due to third parties	**42,316**	44,331
Staff salaries and welfare payables	**34,097**	32,328
Advance from customers	**82,757**	43,030
Interest payables	**1,456**	1,764
Accrued taxes other than income tax	**9,537**	28,373
Dividends payable	**10,933**	13,078
Other liabilities	**5,042**	2,320
	582,775	624,860

As at 31 December 2012 and 2011, all trade and other payables of the Group were non-interest bearing, and their fair value, except for the advance from customers which are not financial liabilities, approximated their carrying amounts due to their short maturities.

As at 31 December 2012 and 2011, trade and other payables were denominated in the following currencies:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
– RMB	**558,898**	529,942
– USD	**9,480**	79,545
– AED	**5,375**	7,821
– NGN	**3,772**	588
– KZT	**2,979**	972
– CAD	**2,229**	1,817
– HKD	**42**	4,175
	582,775	624,860

The ageing analysis of the trade payables, including amounts due to related parties which were trade in nature, was as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade payables, gross		
– Within 90 days	**136,215**	220,953
– Over 90 days and within 180 days	**36,435**	20,940
– Over 180 days and within 360 days	**85,149**	19,739
– Over 360 days and within 720 days	**5,361**	13,526
– Over 720 days	**3,301**	47,383
	266,461	322,541

6 OTHER INCOME

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Gain on remeasuring existing interest in Hilong Petroleum Pipe Company	**–**	29,763
Gain on remeasuring existing interest in Panjin Liaohe Oilfield Pipe Tube-Cote Coating Co., Ltd.	**–**	3,570
Gain on remeasuring existing interest in Tianjin Tube-Cote Petroleum Pipe Coating Co., Ltd.	**–**	734
	–	34,067

7 OTHER LOSSES – NET

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Government grants	**13,159**	12,800
Loss on disposal of property, plant and equipment – net	**(4,933)**	(562)
Donation expenses	**(81)**	(15)
Exchange losses	**(2,622)**	(19,435)
Changes in fair value of the embedded derivative of the convertible bonds	**(20,716)**	–
Changes in fair value of Series A convertible preferred shares	**–**	133
Loss on disposal of equity interests in an associate (a)	**–**	(1,839)
Others	**326**	(325)
	(14,867)	(9,243)

(a) The Group disposed of a 15% equity interest in Shandong Shengli Oil Field Wuhua Tube-Cote Pipe Coating Co., Ltd. to Shengli Oil Field Bohai Pipe Co., Ltd at a consideration of RMB3,000,000. Details of net assets disposed are as follows:

	RMB'000
Consideration of the disposal	3,000
The carrying amount of the 15% equity interest	(4,839)
Disposal loss	(1,839)

The consideration was received in 2012.

8 FINANCE COSTS – NET

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Finance income:		
– Interest income derived from bank deposits	**1,503**	1,192
Finance cost:		
– Interest expense on bank borrowings	**(43,398)**	(37,688)
– Amortization of the liability component of Series A convertible preferred shares using effective interest method	**–**	(6,545)
– Amortization of the liability component of convertible bonds	**(29,829)**	(2,277)
– Amortization of an interest-free related party borrowing using effective interest method	**–**	(238)
	(73,227)	(46,748)
Finance costs – net	**(71,724)**	(45,556)

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current income tax	**68,897**	58,425
Deferred income tax	**(23,751)**	(13,391)
Income tax expense	**45,146**	45,034

The difference between the actual income tax charge in the consolidated income statements and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Profit before tax	**406,573**	364,926
Tax calculated at statutory tax rates applicable to each group entity	**43,374**	43,824
Tax effect of:		
Expenses not deductible for tax purpose	**4,820**	5,001
Tax effect of tax exemption and reduced tax rate under tax holiday (a)	**(4)**	(6,004)
Additional deduction for research and development expense (b)	**(1,555)**	(1,311)
Utilisation of tax credits	**(3,616)**	–
Utilisation of previously unrecognized tax losses	**(524)**	–
Tax losses of subsidiaries not recognized	**2,651**	3,524
Tax charge	**45,146**	45,034

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Enterprises incorporated in British Virgin Islands, Dubai, Abu Dahabi and Labuan (Malaysia) are not subject to any income tax according to relevant rules and regulations.

Enterprises incorporated in Hong Kong are subject to income tax rates of 16.5% for the year ended 31 December 2012 and 2011.

Enterprises incorporated in other places are subject to income tax rates of 16.5% to 33% prevailing in the places in which the Group operated for the year ended 31 December 2012 (31 December 2011: 16.5% to 30%).

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable corporate tax rate on the estimated assessable profits based on existing legislations, interpretations and practices. The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25%.

Certain subsidiaries of the Group obtained approvals from the relevant tax authorities in the PRC for their entitlement to exemption from income tax for the first two years and a 50% reduction in the income tax for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years pursuant to the relevant tax rules and regulations applicable to foreign investment enterprises in the PRC.

Certain subsidiaries are qualified for new/high-tech technology enterprises status and enjoyed preferential income tax rate of 15% for three years.

Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the Mainland China in respect of their earnings generated from 1 January 2008. Deferred income tax liabilities of RMB8,921,000 (2011: RMB9,890,000) have been recognized in 2012 since the management plans to distribute the pertinent earnings generated in those subsidiaries established in Mainland China to its overseas immediate holding company. Deferred income tax liabilities of RMB29,642,000 (2011: RMB16,260,000) have not been recognized for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries in the year ended 31 December 2012. Such amounts are permanently reinvested. The permanently reinvested unremitted earnings totaled RMB296,420,000 as at 31 December 2012 (31 December 2011: RMB162,600,000).

(a) Tax effect of tax exemption and reduced tax rate under tax holiday

The effective income tax rate for the companies with tax preferential treatment are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Hilong Group of Companies Ltd.	**25%**	12.5%
Shanghai Hilong Drill Pipe Co., Ltd. *	**15%**	12.5%
Hilong Drill Pipe (Wuxi) Co., Ltd. *	**15%**	15%
Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd. *	**15%**	15%
Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd.*	**15%**	15%
Shanghai Hilong Shine New Material Co., Ltd.*	**15%**	15%

* Shanghai Hilong Drill Pipe Co., Ltd. is qualified for new/high-tech enterprises status and enjoys preferred income tax rate of 15% for the three years from 2012 to 2014.

* Hilong Drill Pipe (Wuxi) Co., Ltd is qualified for new/high-tech enterprises status and enjoys preferred income tax rate of 15% for the three years from 2011 to 2013.

* Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd. is qualified for new/high-tech enterprises status and enjoys preferred income tax rate of 15% for the three years from 2011 to 2013.

* Shanghai Hilong Anti-Corrosion Technology Engineering Co., Ltd. is qualified for new/high-tech enterprises status and enjoys preferred income tax rate of 15% for the three years from 2012 to 2014.

* Shanghai Hilong Shine New Material Co., Ltd. is qualified for new/high-tech enterprises status and enjoys preferred income tax of 15% for the three years from 2011 to 2013.

No tax reductions and exemptions were granted to the other subsidiaries of the Company in the PRC for the year ended 31 December 2012 and 2011.

(b) Additional deduction for research and development expense

Pursuant to the CIT Law, an additional tax deduction relating to research and development expenses incurred is allowed, after the approval by the tax authorities is obtained. This additional allowed deduction is calculated at 50% of the actual research and development expenses.

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is computed by dividing the net profit for the year attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2012	2011 (Restated)
Profit attributable to equity owners of the Company (RMB'000)	**345,001**	302,020
Weighted average number of ordinary shares in issue (thousand)	**1,591,425**	1,462,341
Basic earnings per share (RMB)	**0.2168**	0.2065

(b) Diluted

Diluted earnings per share is computed by dividing the net profit for the year, by the weighted-average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares, including share options and convertible bonds.

As at 31 December 2012, there were 44,304,000 share options outstanding (31 December 2011: 45,519,000 share options outstanding) and convertible bonds which can be converted into 97,187,500 ordinary shares (31 December 2011: 97,187,500 ordinary shares) that could potentially have a dilutive impact in the future but were anti-dilutive in the year ended 31 December 2012.

11 DIVIDENDS

Pursuant to a resolution of the Board of Directors on 22 March 2013, a final dividend of HK$0.0760 (equivalent to approximately RMB0.0616) per share for the year ended 31 December 2012 has been recommended by the directors. This final cash dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. Upon approval of the shareholders at the annual general meeting, the proposed final dividend will be paid on 27 May 2013 to the shareholders of the Company whose names appear on the register of members of the Company as at 20 May 2013. The total amount is estimated to be HK$123,904,000 (equivalent to approximately RMB100,462,000). These financial statements do not reflect this final dividend payable.

The final dividend in respect of 2011 of HK$0.0690 (equivalent to approximately RMB0.0559) per share, amounting to a total dividend of HK$109,802,000 (equivalent to approximately RMB89,017,000) was approved at the Company's annual general meeting on 11 May 2012. It has been reflected as an appropriation of retained earnings for the year ended 31 December 2012 and paid out.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

12 BUSINESS COMBINATION

Business combination under common control

On 13 June 2012, the Company acquired 100% equity interest in Hilong USA LLC. from Hailong International. Hailong International and the Group are ultimately controlled by Mr. Zhang Jun, the Controlling Shareholder, and the control is not transitory. Accordingly, the transaction has been accounted for on the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, under which the net assets of Hilong USA LLC. were consolidated by using the existing book values and the consolidated income statements included the results of Hilong USA LLC. from the earliest date presented. The comparative amounts in the consolidated financial statements were restated as well.

The consideration of USD60,000 (equivalent to approximately RMB380,000) transferred for the acquisition were debited to other reserve as a deemed distribution to the Controlling Shareholder.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The following table sets forth our revenue by business segment for the years indicated:

	Year ended 31 December			
	2012		2011	
	RMB'000	***%***	*RMB'000* (Restated)	*%*
Drill pipes and related products				
– Drill pipes	**927,163**	**40.9**	742,517	40.5
– Drill pipe 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
Subtotal	**1,010,868**	**44.6**	903,725	49.3
Coating materials and services				
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
Subtotal	**635,865**	**28.1**	505,638	27.6
Oilfield services	**617,640**	**27.3**	424,156	23.1
Total revenue	**2,264,373**	**100.0**	1,833,519	100.0

The following table sets forth the revenue by geographical location of customers for the years indicated:

	Year ended 31 December			
	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
			(Restated)	
The PRC	**1,273,120**	**56.2**	994,924	54.3
North and South America	**510,009**	**22.5**	373,397	20.4
Russia, Central Asia and East Europe	**219,822**	**9.7**	159,826	8.7
West Africa	**156,191**	**6.9**	42,638	2.3
Middle East	**92,346**	**4.1**	247,258	13.5
Others	**12,885**	**0.6**	15,476	0.8
	2,264,373	**100.0**	1,833,519	100.0

Revenue increased by RMB430.9 million, or 23.5%, from RMB1,833.5 million in 2011 to RMB2,264.4 million in 2012. Such increase primarily reflected an increase in revenue from oilfield services segment and, to a lesser extent, from drill pipes and related products segment and the coating materials and services segment.

Drill pipes and related products. Revenue from the drill pipes and related products segment increased by RMB107.2 million, or 11.9%, from RMB903.7 million in 2011 to RMB1,010.9 million in 2012. Such increase primarily reflected an increase in revenue derived from sales of drill pipes, partially offset by a decrease in revenue derived from sales of drill pipe components.

The following table sets forth the revenue analysis of the drill pipe sales for the years indicated:

	Year ended 31 December	
	2012	2011
		(Restated)
Sales of drill pipes		
– International market		
– volume (tons)	**15,213**	13,059
– unit price (RMB/ton)	**24,540**	25,266
Subtotal (RMB'000)	**373,337**	329,958
– Domestic market		
– volume (tons)	**22,194**	14,549
– unit price (RMB/ton)	**24,954**	28,356
Subtotal (RMB'000)	**553,826**	412,559
Total (RMB'000)	**927,163**	742,517

Revenue from sales of drill pipes in the international market increased by RMB43.3 million, or 13.1%, from RMB330.0 million in 2011 to RMB373.3 million in 2012. The increase primarily reflected a 16.5% increase in the volume of drill pipes sold from 13,059 tonnes in 2011 to 15,213 tonnes in 2012, partially offset by a 2.9% decrease in the average selling price in the international market from RMB25,266 per tonne in 2011 to RMB24,540 per tonne in 2012. The increase in the sales volume primarily reflected the Group's continuous effort on expanding international market share and an increased level of capital spending by international oil and gas companies in drilling activities. The decrease in the average selling price primarily reflected a higher portion of revenue from Russia and East Europe where drill pipes are generally sold at a lower price compared to other regions, partially offset by the revenue from sour service drill pipes successfully introduced into Canada market in 2012, which are sold at higher price.

Revenue from sales of drill pipes in the PRC market increased by RMB141.2 million, or 34.2%, from RMB412.6 million in 2011 to RMB553.8 million in 2012. The increase primarily reflected a 52.5% increase in volume of drill pipes sold in the PRC market from 14,549 tonnes in 2011 to 22,194 tonnes in 2012, partially offset by a 12.0% decrease in average selling price sold in the PRC market from RMB28,356 per tonne in 2011 to RMB24,954 per tonne in 2012. The increase in the sales volume primarily reflected (i) the Group sold around 3,500 tonnes drill pipes to certain domestic drilling rig manufacturers for their rigs sales to South America, where the Group's sales team targeted to enter into and develop the market, (ii) the Group's continuous effort to promote customized drill pipes in the PRC market, and (iii) an increased level of demand on the Group's drill pipes and capital spending by oil and gas companies in the PRC market, especially CNPC and Sinopec. The decrease in average selling price primarily reflected (i) the aforementioned around 3,500 tonnes drill pipes were sold at lower prices as the Group's strategy to build up and enhance brand recognition in South America; and (ii) the guideline price of American Petroleum Institute ("**API**") drill pipe products based on annual bid of both CNPC and Sinopec decreased in 2012 compared to that in 2011.

Revenue from sales of drill pipe components decreased by RMB67.3 million, from RMB94.1 million in 2011 to RMB26.8 million in 2012. Sales of drill pipe components in 2011 primarily represented steel pipes and joints sold to the Group's then jointly controlled entity in the Middle East, which was acquired by the Group as a subsidiary at the end of 2011.

Coating materials and services. Revenue from the coating materials and services segment increased by RMB130.3 million, or 25.8%, from RMB505.6 million in 2011 to RMB635.9 million in 2012. Such increase primarily reflected an increase in the revenue derived from OCTG coating services, and to a lesser extent, from oil and gas line pipe coating services.

The increase in revenue from OCTG coating services primarily reflected an increase in our manufacturing capacity and utilization rate in providing OCTG coating services coupled with a higher demand for our services in 2012 compared to that in 2011.

The increase in revenue from oil and gas line pipe coating services primarily reflected (i) upgraded manufacturing capacity which enabled the Group to provide coating service for up to 18-meter-length oil and gas line pipe since the end of 2011, (ii) revenue derived from corrosion resistance alloy lined pipe services, which was newly launched in 2012, and partially offset by a decrease in revenue derived from internal coating services of oil and gas line pipe.

Oilfield services. Revenue from the oilfield services segment increased by RMB193.4 million, or 45.6%, from RMB424.2 million in 2011 to RMB617.6 million in 2012. Such increase was attributable to (i) oilfield service projects in West Africa from which the Group started to generate revenue since May 2011 and April 2012 respectively, (ii) oilfield service projects in South America from which the Group started to generate revenue during the last quarter of 2011, May 2012 and September 2012 respectively, and (iii) higher service revenue earned in Kazakhstan mainly represented higher portion of revenue from horizontal drilling services and comprehensive oil services in 2012, partially offset by (i) the decrease in trading revenue of tubing and casing products purchased from third parties to oilfield services clients, and (ii) the decrease in service revenue from Middle East as we sold the drill rig to oilfield services client in 2012.

Cost of Sales/Services

Cost of sales increased by RMB286.9 million, or 26.5%, from RMB1,082.2 million in 2011 to RMB1,369.1 million in 2012. Such increase primarily reflected an increase in cost of raw materials associated with the increase in revenue from drill pipes and related products segment and also with coating materials and services segment, coupled with an increase in depreciation of drilling equipments, staff costs and other related costs associated with the expansion of oilfield services segment in 2012 compared with that in 2011.

Gross Profit and Gross Margin

As a result of the foregoing, gross profit increased by RMB144.0 million, or 19.2%, from RMB751.3 million in 2011 to RMB895.3 million in 2012. Gross margin decreased from 41.0% in 2011 to 39.5% in 2012. The decrease in gross margin primarily reflected the decrease in gross margin from drill pipes and related products segment.

Gross margin of drill pipes and related products segment decreased from 41.6% in 2011 to 38.4% in 2012, reflecting the decreased average selling price in both PRC and the international market, partially offset by the decreased unit cost due to the decrease of steel price and better cost control.

Selling and Marketing Expenses

The percentage of selling and marketing expenses to revenue decreased from 6.0% in 2011 to 5.2% in 2012. Such decrease primarily reflected better control on freight cost by centralized management over logistic function of the Group since 2012.

Administrative Expenses

Administrative expenses increased by RMB40.2 million, or 16.4%, from RMB245.4 million in 2011 to RMB285.6 million in 2012. Such increase primarily reflected (i) an accretion of administrative expenses of RMB26.2 million incurred in subsidiaries acquired by the Group in second half of 2011, (ii) the Group provided RMB12.4 million specific provision for impairment of certain receivables in 2012, (iii) an increase in recurring professional services fees and headquarter office expenses after the global offering (the "**Global Offering**") and the Listing, and (iv) an increase in office expenses, staff costs and transportation expenses incurred in connection with the expansion of oilfield services segment, partially offset by a decrease of expenses incurred in 2011 in connection with the Global Offering.

Other Losses – Net

The Group recognized net loss of RMB9.2 million in 2011 and RMB14.9 million in 2012. The net loss recognized in 2012 primarily reflected (i) a loss of RMB20.7 million in changes in fair value of the embedded derivative of the convertible bonds, and (ii) a net loss of RMB4.9 million on disposal of property, plant and equipment, partially offset by RMB13.2 million in government grants in relation to new and high-technology projects. The net loss recognized in 2011 primarily reflected RMB19.4 million in foreign exchange losses, partially offset by RMB12.8 million in government grants in relation to new and high-technology projects.

Finance Costs

Finance costs increased by RMB26.5 million, or 56.7%, from RMB46.7 million in 2011 to RMB73.2 million in 2012. Such increase primarily reflected an RMB27.6 million increase of interest in relation to the liability component of convertible bonds.

Profit before Income Tax

As a result of the foregoing, profit before income tax increased from RMB364.9 million in 2011 to RMB406.6 million in 2012.

Income Tax Expense

The Group recognized income tax expense of RMB45.0 million in 2011 and RMB45.1 million in 2012. Effective tax rate was approximately 12.3% in 2011 and 11.1% in 2012.

Profit Attributable to Equity Owners of the Company

As a result of the foregoing, profit attributable to equity owners of the Company for the year increased from RMB302.0 million in 2011 to RMB345.0 million in 2012.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with HKFRS, certain non-GAAP financial measures have been presented in this financial review. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Company's financial performance prepared in accordance with HKFRS.

The Company believes that, in conjunction with GAAP financial measures, the non-GAAP financial measures provide meaningful supplemental information to both investors and management in assessing the Group's performance and planning for future periods.

The non-GAAP profit attributable to equity owners of the Company does not include all items that impact the Group's profit attributable to equity owners of the Company for the year. It excludes share-based compensation expenses and loss from fair value change of derivative financial instrument in association with the convertible bonds, which have been and might continue to be significant non-cash expenses in the Group's financial performance prepared in accordance with HKFRS. In addition, the non-GAAP profit attributable to equity owners of the Company may not be comparable to similarly titled measure utilized by other companies since such other companies may not calculate such measure in the same manner as the Company does.

The Company expects to compute the non-GAAP financial measures using consistent methods going forward. The following table sets forth the reconciliations of the non-GAAP financial measures for 2012 and 2011 to the nearest measures prepared in accordance with HKFRS:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to equity owners of the Company as reported	**345,001**	302,020
Adjustments:		
– share-based compensation	**9,111**	11,214
– changes in fair value of the embedded derivative of the convertible bonds *(a)*	**20,716**	–
Non-GAAP profit attributable to equity owners of the Company	**374,828**	313,234

Note:

(a) The Company issued convertible bonds to CITIC Capital China Access Fund Limited ("CITIC") at total nominal value of HK$233,250,000 on 9 December 2011, with an interest rate of 3.5% per annum. As the convertible bonds are denominated in a currency other than the Company's functional currency which is RMB, the convertible bonds comprise a host debt instrument denominated in Hong Kong Dollar ("HKD") and a conversion option to exchange a fixed number of the Company's own equity instrument for a fixed amount of cash that is denominated in HKD. The conversion option is not an equity instrument, but an embedded derivative that is not closely related to the host debt instrument, because the risk inherent in the derivative and the host are dissimilar. Therefore, the conversion option is separated and classified as an embedded derivative, and initially recognized at fair value assessed using valuation techniques.

Subsequent to initial recognition, the embedded derivatives are carried at fair value. The changes in the fair value are charged to income statements when occurred.

Inventories

Inventories generally consist of raw materials, work-in-progress and finished goods, as well as packing materials and low value consumables. The following table sets forth the inventory balances as of the dates indicated as well as the turnover of average inventory for the years indicated.

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Inventory	**586,344**	509,510
Turnover days of inventory (in days)[1]	**146**	149

[1] Turnover days of inventory for a year equals average inventory divided by total cost of sales and then multiplied by 365 for each of the years ended 31 December 2011 and 2012. Average inventory equals inventory balance at the beginning of the year plus inventory balance at the end of the year, divided by two.

The decrease in inventory turnover days from 149 days in 2011 to 146 days in 2012 primarily reflected an increase in recognized cost of sales associated with an increase in sales in 2012.

Trade and Other Receivables

Trade and other receivables consist of trade receivables (due from third parties and related parties), other receivables, bills receivable and prepayments. The following table sets forth the components of the trade and other receivables outstanding as at the dates indicated.

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Trade receivables		
– Due from third parties	**1,041,354**	968,580
– Due from related parties	**26,282**	59,350
– Less: Provision for impairment of receivables	**(23,383)**	(11,033)
Trade receivables-net	**1,044,253**	1,016,897
Other receivables		
– Due from third parties	**53,805**	44,123
– Due from related parties	**65,860**	55,740
Other receivables	**119,665**	99,863
Bills receivable	**72,799**	31,878
Prepayments	**148,508**	164,514
Total	**1,385,225**	1,313,152

Net trade receivables represent receivables from the sales of products and provision of services to third party customers and related parties, less impairment of receivables. The following table sets forth an ageing analysis of trade receivables due from third party and related parties as at the dates indicated and turnover days of the net trade receivables as at the dates indicated.

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Trade receivables, gross		
– Within 90 days	**748,401**	602,677
– Over 90 days and within 180 days	**112,495**	213,645
– Over 180 days and within 360 days	**81,418**	109,046
– Over 360 days and within 720 days	**82,096**	75,107
– Over 720 days	**43,226**	27,455
	1,067,636	1,027,930
Turnover days of trade receivables, net (1)	**166**	176

(1) Turnover days of trade receivables for a year equals average trade receivables divided by revenue and then multiplied by 365 for each of the years ended 31 December 2011 and 2012. Average trade receivables equal balance of trade receivables less provision for impairment of receivables at the beginning of the year plus balance at the end of the year, divided by two.

As at 31 December 2011 and 31 December 2012, trade receivables of RMB414.2 million and RMB295.9 million, representing 40.3% and 27.7% respectively, of the Group's trade receivables before impairment remained unpaid beyond the general credit period but were not impaired, as these trade receivables were due from companies with sound credit history and trading records with the Group or due from subsidiaries' related party entities. As at the dates indicated, we believe that there had been no change in their credit history or quality and the balances were fully collectable. We did not have any material dispute with these customers arising from the settlement of outstanding balances of trade receivables in the past. Therefore, we believe that no additional provision for impairment is necessary in respect of these balances.

Trade and Other Payables

Trade and other payables primarily consist of trade payables (due to third parties and related parties), other payables, bills payable, staff salaries and welfare payables, advance from customers, interest payable, accrued taxes other than income tax and dividends payable. The following table sets forth the components of trade and other payables outstanding as at the dates indicated.

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Bills payable	**130,176**	103,195
Trade payables		
– Due to related parties	**–**	10,135
– Due to third parties	**266,461**	312,406
Other payables		
– Due to related parties	**–**	33,900
– Due to third parties	**42,316**	44,331
Staff salaries and welfare payables	**34,097**	32,328
Advance from customers	**82,757**	43,030
Interest payables	**1,456**	1,764
Accrued taxes other than income tax	**9,537**	28,373
Dividends payable	**10,933**	13,078
Other liabilities	**5,042**	2,320
	582,775	624,860

Trade payables represent payables due to third party customers and related parties. The following table sets forth an ageing analysis of trade payables due to third parties and related parties as at the dates indicated and turnover days of trade payables for the dates indicated.

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Trade payables, gross		
– Within 90 days	**136,215**	220,953
– Over 90 days and within 180 days	**36,435**	20,940
– Over 180 days and within 360 days	**85,149**	19,739
– Over 360 days and within 720 days	**5,361**	13,526
– Over 720 days	**3,301**	47,383
	266,461	322,541
Turnover days of trade payables(1)	**79**	102

(1) Turnover days of trade payables for a year equals average trade payables divided by total cost of sales and then multiplied by 365 for each of the years ended 31 December 2011 and 2012. Average trade payables equal balance of trade payables at the beginning of the year plus balance at the end of the year, divided by two.

The decrease in the balance of trade payables due to third parties from 31 December 2011 to 31 December 2012 reflected the payment for procurement of the drilling rigs.

Use of Proceeds from the Global Offering

In April 2011, the Company offered 400 million shares under the Global Offering (for details, please refer to the Company's prospectus dated 11 April 2011 (the "**Prospectus**")). The Company was successfully listed on the Main Board of the Stock Exchange on 21 April 2011. Net proceeds from the Global Offering were approximately HK$954 million. As at 31 December 2012, the Group had fully utilized the proceeds.

The utilization of proceeds from the Global Offering is consistent with the intended use of proceeds as disclosed in the Prospectus and the allotment results announcement dated 20 April 2011. The utilization of proceeds from the Global Offering by 31 December 2012 is summarized in the following table:

	Planned at the Global Offering *HKD in million*	**Proceeds Utilized** *HKD in million*	**Residual balance as at 31 December 2012** *HKD in million*
Gross proceeds from the Global Offering	1,040		
Net proceeds after expenses	954		
Expansion of coating materials and services	229	229	–
Expansion of oilfield services	224	224	–
Repayment of outstanding balances due to controlling shareholder	189	189	–
Repayment of bank borrowings	165	165	–
Upgrading of production capacity for drill pipes	95	95	–
Working capital and general corporate purpose	52	52	–
Total	954	954	–

Business Review

In 2012, the Group successfully implemented its development strategies and achieved significant progress. The Group realized substantial growth in its financial results in 2012. Revenue of the Group increased by 23.5% to RMB2,264 million and net profit attributable to shareholders increased by 14.2% to RMB345 million. Meanwhile, the Group also made significant breakthroughs in research and development ("R&D") of high-end products and services, overseas expansion and corporate governance.

Drill pipes and related products segment

The Group recorded significant increase in drill pipes and related products segment in 2012. Sales of drill pipes and related products during the year amounted to RMB1,011 million, representing a 11.9% increase from 2011. Sales of 37,407 tonnes of drill pipes generated RMB927 million in revenue, representing an increase of 24.9% from 2011. Domestically, Hilong maintained its growth momentum and further strengthened its leading position. Sales of drill pipes in China reached 22,194 tonnes, and generated RMB554 million in revenue, representing an increase of 34.2% from last year. Based on 2012 sales, Hilong's domestic market share increased from 34% to 45% in 2012[1]. In overseas markets, sales of drill pipes reached 15,213 tonnes, and the revenue increased by 13.1% from 2011 to RMB373 million. Hilong's global market share increased from 13% to 16% in 2012[1]. Our market shares in overseas markets rose significantly, 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, such as V-150 high strength drill pipes, sour service drill pipes for shale gas exploration and specialized drill pipes for coal seam gas exploration. Meanwhile, the Company is actively developing various new technologies and products, including electronic drill pipes and V-165 ultra strength drill pipes.

In 2012, the Group made tremendous progress in enhancing the Hilong brand and strenthening the relationship with its customers. The Group continued to strengthen the cooperation with domestic and international customers. In October 2012, the Group entered into a strategic supply agreement with a term of three years with the leading Canadian drilling company Ensign Energy Services Inc.. 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.

Coating materials and services segment

In 2012, the coating materials and services segment achieved rapid progress with a year-on-year increase in revenue of 25.8% to RMB636 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").

In 2012, OCTG coating business, the most profitable business within the segment, recorded a significant increase of 57.2% in revenue to RMB236 million. The global market share of OCTG coating business grew from 14% to 17%. Following the Company's listing in 2011, the Group rapidly increased its OCTG coating services capacity and thus broke the bottleneck of OCTG coating business. At the end of 2011, the annual capacity of OCTG coating services of the Group was appropriately 2,600,000 meters. The completion of the

[1] According to a report issued by Spears & Associates Inc.

upgrade in Tianjin Tube-Cote Petroleum Pipe Coating Co., Ltd. in early 2012 contributed approximately additional 800,000 meters of annual capacity. The joint venture Hilong set up in Yekaterinburg, Russia commenced its operation in October 2012, with an annual capacity of about 600,000 meters. The construction of the OCTG coating plant in Edmonton, Canada, which is a wholly-owned subsidiary of the Company, commenced in 2012, and the plant is expected to start operation in the first half of 2013 with an annual capacity of about 600,000 meters. Our orderbook for the new plants have been quickly building up during the construction period due to strong brand recognition and our active marketing efforts.

The line pipe coating business remained steady and strong and recorded revenue of RMB400 million in 2012, representing a year-on-year increase of 12.5%. 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. For instance, the new line pipe coating product CRA, which was used to protect carbon steel pipes from corrosions by alloying a layer of thin stainless steel inside, was highly recognized by our customers when it was launched in 2012. The new product significantly reduced the costs of anti-corrosion by replacing the traditional stainless steel pipes. 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 segment

The oilfield services business achieved a substantial increase in 2012. The revenue grew by 45.6% in 2012 to RMB618 million. Hilong operates in Ecuador, Nigeria, Kazakhstan and Colombia. In addition to the 8 sets of drilling equipment at the end of 2011, 4 new sets were deployed in 2012. The Group disposed the drilling rig in Iraq in the second half of 2012, to further concentrate our drilling teams in our selected regions to increase the regional synergies. Capitalizing our track record in providing drilling services, the Group is gradually turning into an integrated service provider.

The Group identifies South American market as a key region to develop the oilfield services business. As of the end of 2012, the Group had set up a regional integrated service team comprising of four 2,000HP drilling rigs, one 1500 HP drilling rig, one oil pump and one workover rig. The service team has won two-year contracts from Schlumberger, CONSORCIO SHUSHUFINDI S.A. (CSSFD), ANDES Petroleum and PETROAMAZONAS EP, the national oil company of Ecuador, to provide drilling, workover and pumping services, which laid a solid foundation for its sustainable growth in the region.

In Nigeria, the Group continued its cooperation with Shell. In 2011, the Group successfully secured one three-year drilling service contract from Shell and further secured an additional two-year drilling contract for one drilling rig in 2012. Our team in Nigeria has built up an excellent reputation and enhanced our brand recognition by achieving excellent results and breaking the drilling efficiency records repeatedly. Consequently, the team received various rewards from Shell.

Kazakhstan was the first oilfield service market the Group entered into. Over the years, the Group has established a great track record in this region, which helped the Group to promote more comprehensive services in addition to drilling, and to secure turnkey contracts that helped to increase the revenue from each rig. Our team provided services including drilling fluids, cementing services, and horizontal drilling which requires advance skills. The successful results proved that the Group is capable of being an integrated service provider. The Group will apply its successful experience in Kazakhstan to other markets, to further establish itself as a strong regional player.

PROSPECTS

In 2013, the Group will continue to focus on R&D of products and services, focus 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. Meanwhile, Hilong will make strong efforts in pioneering new technologies. With the increasing drilling activities in exploration and production of unconventional energies such as tight gas, coal seam gas and shale gas, and in extreme situations such as ultra-deep wells, arctic drilling and deep-water drilling, the demand of drill pipe will further shift toward higher-end products. Hilong will build up much more extensive cooperation with customers in the R&D front, which will create more value for both parties.

In relation to coating services and materials, the Group will continue to concentrate on the development of OCTG coating business. The Group will strive for business growth in OCTG coating materials and services by continuing the capacity expansion for coating services and extend the application of coating materials to tubing and coating. In addition, the Group will continue to develop new coating materials and coating techniques for line pipes and constantly introduce high-end products and services to the market.

Regarding oilfield services, Hilong will carefully consider potential new contracts and expand our drill rig fleet accordingly. In addition to drilling, Hilong plans to provide more comprehensive and challenging services, in order to enhance the profitability of each rig.

Looking ahead into 2013, we believe that, with our endeavors, Hilong will create greater values for our shareholders.

Liquidity and Capital Resources

The following table sets forth a summary of the cash flows for the years indicated:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Net cash from operating activities	**353,180**	59,262
Net cash used in investing activities	**(295,692)**	(478,278)
Net cash from financing activities	**20,946**	495,448
Net increase in cash and cash equivalents	**78,434**	76,432
Exchange gains/(losses) on cash and cash equivalents	**28**	(7,734)
Cash and cash equivalents at beginning of the year	**325,500**	256,802
Cash and cash equivalents at end of the year	**403,962**	325,500

Operating Activities

Net cash from operating activities in 2012 was RMB353.2 million, representing an increase of RMB293.9 million compared with that in 2011, which was primarily attributable to the cash of RMB437.1 million generated from operations, partially offset by the interest payment of RMB45.4 million and income tax payment of RMB38.5 million.

Investing Activities

Net cash used in investing activities in 2012 was RMB295.7 million, primarily reflecting payment of RMB377.1 million for purchases of property, plant and equipment, partially offset by proceeds of RMB96.9 million from disposal of property, plant and equipment.

Net cash used in investing activities in 2011 was RMB478.3 million, primarily reflecting (i) payment of RMB281.1 million for purchases of property, plant and equipment, (ii) payment of RMB108.4 million in connection with changes in ownership interests in subsidiaries without change of control, and (iii) payment of RMB50.2 million in connection with acquisition of subsidiaries, net of cash acquired.

Financing Activities

Net cash generated from financing activities in 2012 was RMB20.9 million, primarily reflecting proceeds of RMB799.8 million from borrowings, offset by (i) repayment of borrowings of RMB650.5 million, (ii) dividends payment of RMB89.0 million, and (iii) net cash outflow of RMB27.8 million arising from security deposit for bank borrowings.

Net cash generated from financing activities in 2011 was RMB495.4 million, primarily reflecting (i) proceeds of RMB817.5 million from the Global Offering; (ii) proceeds of RMB189.3 million from the issuance of convertible bonds; and (iii) proceeds of RMB557.0 million from borrowings, partially offset by payment of RMB249.5 million in connection with the reorganization of the Group and repayment of borrowings of RMB764.1 million.

Capital Expenditures

Capital expenditures were RMB367.0 million and RMB359.1 million in 2012 and 2011 respectively. Capital expenditures in 2012 were primarily made in connection with purchase of drilling rigs for oilfield services segment, and construction facilities in Shanghai and Canada for coating materials and services segment. Capital expenditures in 2011 were primarily made in connection with purchase of drilling rigs for oilfield services segment, construction facilities and payment for land use rights in Shanghai.

Indebtedness

As at 31 December 2012, the outstanding indebtedness of RMB939.2 million was denominated in RMB, HKD and United States dollar ("USD"). The following table sets forth breakdown of the indebtedness as at the dates indicated:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Non-current		
Convertible bonds	**204,903**	178,741
Bank borrowings – unsecured	**–**	1,200
Bank borrowings – secured	**88,068**	–
Less: Current portion of non-current borrowings	**–**	(1,200)
	292,971	178,741
Current		
Bank borrowings – secured	**184,290**	267,306
Bank borrowings – unsecured	**461,971**	306,574
Related party borrowing	**–**	7,876
Current portion of non-current borrowing	**–**	1,200
	646,261	582,956
	939,232	761,697

The bank borrowings of RMB122.0 million were secured by certain machinery and equipment and bank deposit of the Group, with the carrying amount of RMB144.7 million and RMB30.7 million, respectively, as at 31 December 2012.

The bank borrowings of RMB125.0 million were secured by certain buildings and facilities, with the carrying amount of RMB147.8 million, as at 31 December 2012.

The bank borrowings of RMB25.4 million were secured by certain bank deposit of the Group, with the carrying amount of RMB5.1 million, as at 31 December 2012.

The contractual re-pricing dates or maturity dates, whichever is earlier, of the Group's bank borrowings are within 6 months as at 31 December 2011 and 2012.

The convertible bonds were issued on 9 December 2011, with an interest rate of 3.5% per annum and a maturity of three years from the issuance date.

Acquisition of a Subsidiary under Common Control

On 13 June 2012, the Company acquired 100% equity interest in Hilong USA, LLC. from Hailong International at a purchase price of USD60,000 (equivalent to approximately RMB380,000). Hailong International and the Group are ultimately controlled by Mr. Zhang Jun, our controlling shareholder, and the control is not transitory. Accordingly, the transaction has been accounted for on the principle of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, under which the net assets of Hilong USA, LLC. were consolidated by using their existing book values and the consolidated income statements included the results of Hilong USA, LLC. from the earliest date presented. The comparative amounts in the consolidated financial statements were restated as well.

Staff and Remuneration

As at 31 December 2012, the total number of full-time employees employed by the Group was 2,088 (31 December 2011: 1,738). The following table sets forth the number of the Group's full-time employees by area of responsibility as at 31 December 2012:

On-site workers	1,420
Administrative	283
Research and development	103
Technical support	141
Company management	30
Sales, marketing and after-sales services	62
Overseas representatives	49
	2,088

The Group offers employees remuneration packages mainly on the basis of individual performance and experience and also pays regard to industrial practice, which include basic wages, performance related bonuses and the social security and benefits. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on the relevant statutory percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labor and social welfare authorities.

The Company also ratified and adopted a Pre-IPO share option scheme on 28 February 2011. The Pre-IPO share option scheme commenced on 1 January 2011. During 2011, options to subscribe for an aggregate of 46,322,000 shares, being all options available under the Pre-IPO share option scheme, have been granted.

Gearing Ratio

The Group's objectives in capital management are to maintain the Group's ability to operate as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with peers in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

The gearing ratios as at 31 December 2012 and 2011 are as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Total borrowings	**939,232**	761,697
Less: Cash and cash equivalents	**403,962**	325,500
Net debt	**535,270**	436,197
Total equity	**2,305,434**	2,038,622
Total capital	**2,840,704**	2,474,819
Gearing ratio	**18.84%**	17.63%

The slight increase in the gearing ratio as at 31 December 2012 when compared to the gearing ratio as at 31 December 2011 was resulted primarily from the increase in the balance of borrowings in 2012.

Foreign Exchange

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. Foreign exchange risk arises from recognized assets and liabilities in foreign operations. The conversion of RMB into foreign currencies, including the USD, has been based on rates set by the People's Bank of China. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of RMB to the USD. Under this policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 24.1% appreciation of RMB against the USD from 21 July 2005 to 31 December 2012. There remains significant pressure on the PRC government to adopt more flexible currency policy, which could result in further and more significant appreciation of the RMB against USD. The Group does not hedge against any fluctuation in foreign currency. The Group may consider entering into currency hedging transactions to further manage its exposure to fluctuations in exchange rates. However, the effectiveness of such transactions may be limited. The revenue denominated in USD represented 31.5% and 38.7% of the total revenue of the Company in 2012 and 2011, respectively.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with all the code provisions set out in the Corporate Governance Code (formerly known as the Code on Corporate Governance Practices before 1 April 2012, the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (and the new code provisions since 1 April 2012 when amendments to the Corporate Governance Code became effective) throughout the year ended 31 December 2012, except that:

(a) in respect of code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Mr. Zhang Jun. The Company is an investment holding company with a professional management team to monitor the operations of the subsidiaries. The Board considers that vesting the roles of chairman and chief executive officer in the same person is more efficient in the direction and management of the Company and does not impair the balance of power and authority of the Board and the management of the business of the Company; and

(b) in respect of code provision A.6.7 of the Corporate Governance Code, a non-executive Director and two independent non-executive Directors were not in a position to attend the annual general meeting of the Company held on 11 May 2012 due to other commitments.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company, consisting of Mr. LEE Siang Chin, Mr. WANG Tao (王濤) and Ms. ZHANG Shuman, has reviewed the annual results for the year ended 31 December 2012 before the results were submitted to the Board for approval.

The auditors of the Company, PricewaterhouseCoopers, has agreed that the figures in respect of the Group's annual results for the year ended 31 December 2012 contained in this announcement are consistent with the amounts set out in the Group's audited consolidated financial statements for the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company purchased a total of 8,660,000 Shares on the Stock Exchange in 2011, out of which 4,784,000 Shares were cancelled on delivery of the share certificates on 21 December 2011 and 3,876,000 Shares were cancelled on delivery of the share certificates on 9 January 2012.

Other than the information disclosed above, there was no other purchase, sale or redemption of the Company's listed securities by the Company nor any of its subsidiaries during the year ended 31 December 2012.

DIVIDENDS

During the year ended 31 December 2012, a final dividend of HK6.9 cents per share, amounting to a total dividend of approximately HK$109.8 million (equivalent to approximately RMB89.0 million) for the year ended 31 December 2011, was paid to shareholders of the Company.

The Board resolved to recommend the payment of a final dividend of HK7.6 cents per share, amounting to approximately HK$123.9 million (equivalent to approximately RMB100.5 million) calculated based on the number of the issued shares of the Company as at the date hereof, for the year ended 31 December 2012, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company (the "**AGM**"). Upon approval of the shareholders at the AGM, the proposed final dividend will be paid on 27 May 2013 to the shareholders of the Company whose names appear on the register of members of the Company as at 20 May 2013.

CLOSURE OF REGISTER OF MEMBERS

For determining the qualification as members of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 8 May 2013 to Friday, 10 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 May 2013.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 16 May 2013 to Monday, 20 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 May 2013.

PUBLICATION OF ANNUAL RESULTS

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.hilonggroup.net).

The annual report for the year ended 31 December 2012 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and become available on the same websites in due course.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to our shareholders and business partners for their continued support, and to our employees for their dedication and hard work.

For and on behalf of the Board
Hilong Holding Limited
ZHANG Jun
Chairman

24 March 2013

As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Jun, Mr. WANG Tao (汪濤) and Mr. JI Min; the non-executive directors are Ms. ZHANG Shuman, Mr. YUAN Pengbin and Mr. LI Huaiqi; and the independent non-executive directors are Mr. WANG Tao (王濤), Mr. LIU Qihua, Mr. LEE Siang Chin and Mr. LIU Haisheng.