



# 海隆控股有限公司\*

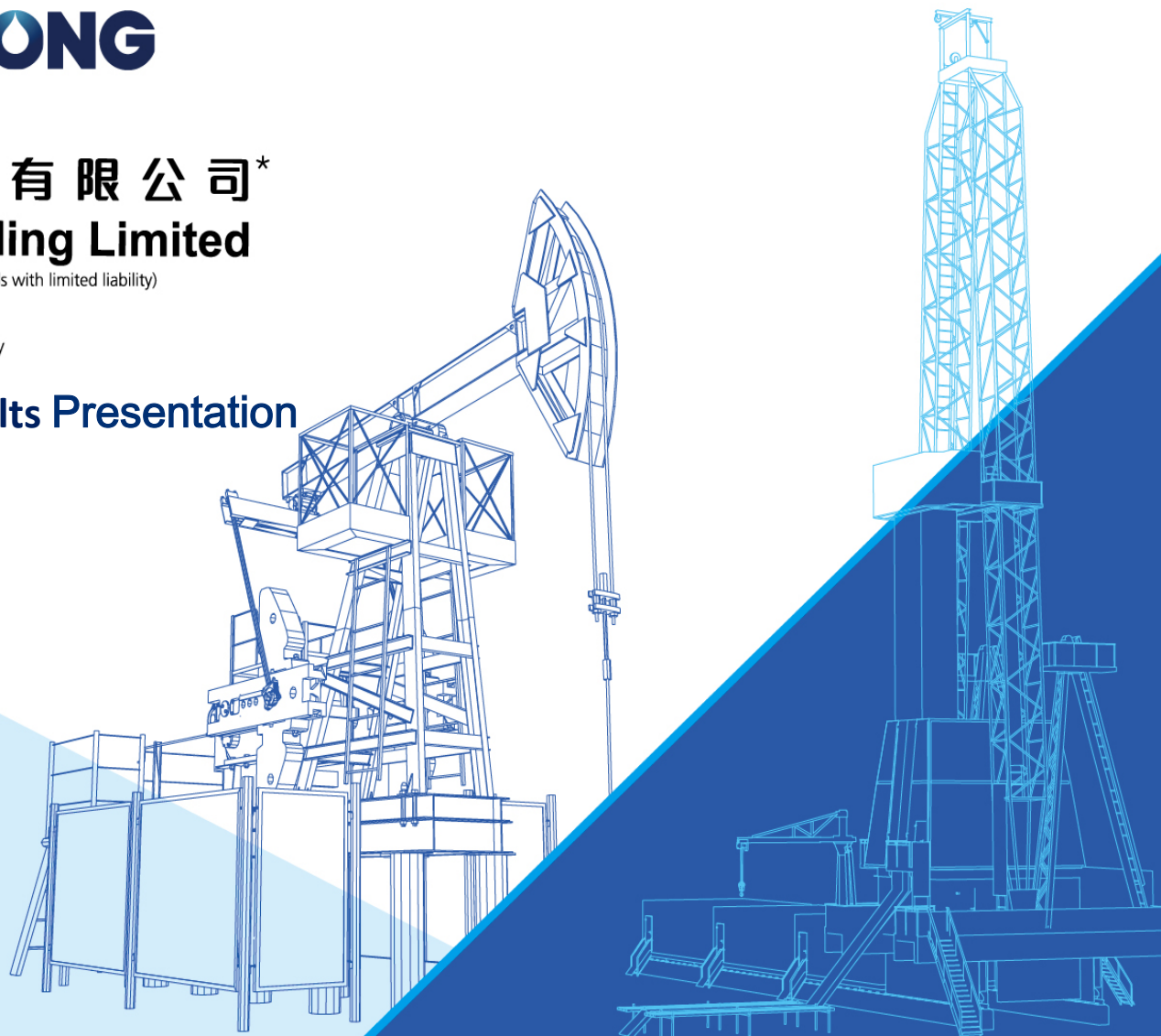
## Hilong Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1623

\* For identification purpose only

## 2018 Interim Results Presentation



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## Results Highlights

# Results Highlights

Hilong achieved steady business growth, excluding FX gains and losses, net profit amounts to RMB106 million, represent a 61.9% increase. Good performance across all segments.



## Oilfield services

- ❖ Maintained healthy operation and stable revenue in drilling services
- ❖ Continued improvement in rig utilization
- ❖ Completed the relocation of one rig, laid the foundation for further improvement in utilization
- ❖ The preparation of two PDO is underway, expecting to start drilling before the year end
- ❖ Integrated services continued to be the growth driver, benefit from the Pakistani IWS contract signed last year



## Line pipe technology & services

- ❖ Overall revenue remained stable. High end business achieved strong growth
- ❖ Low end business suspended, clear product mix improvement resulting in historical high in segment gross profit margin
- ❖ Breakthrough in CWC business, with large growth potential. Technical breakthrough in CRA, significantly expand its scoop of application, double its revenue



## Oilfield equipment manufacturing & services

- ❖ Drill pipe and related products remained stable, actively to reduce volume and enhance quality
- ❖ As there were huge overseas' demand, the company focused to serve premium clients and high-end orders , hence non-API product penetration improved in oversea markets
- ❖ Volume and ASP both improved in domestic market, strong sign of recovery
- ❖ OCTG coating services laid by strong overseas growth, removed all the negative effects caused by tighten environmental rules

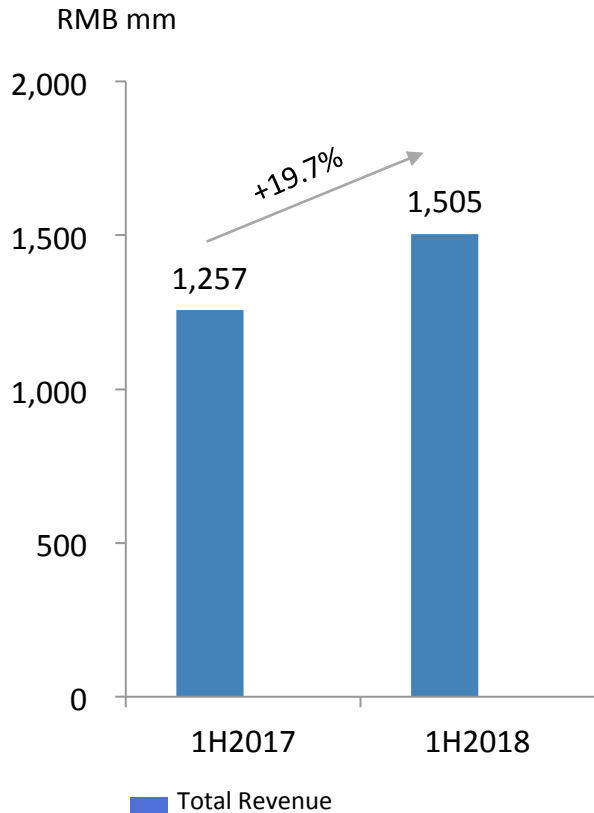


## Offshore engineering services

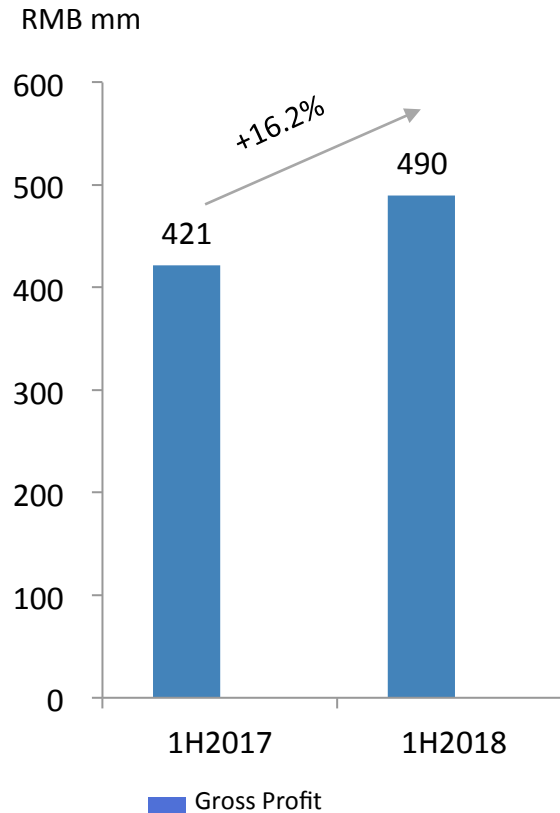
- ❖ Significant increased in revenue due to high utilization of HL106
- ❖ Completed CPOC project in Thailand and Sepeat project in Malaysia
- ❖ Vessel management contract with "PJW3000" bring in additional revenue
- ❖ Clear sign of market recovery with active project tenders

# Financial Overview

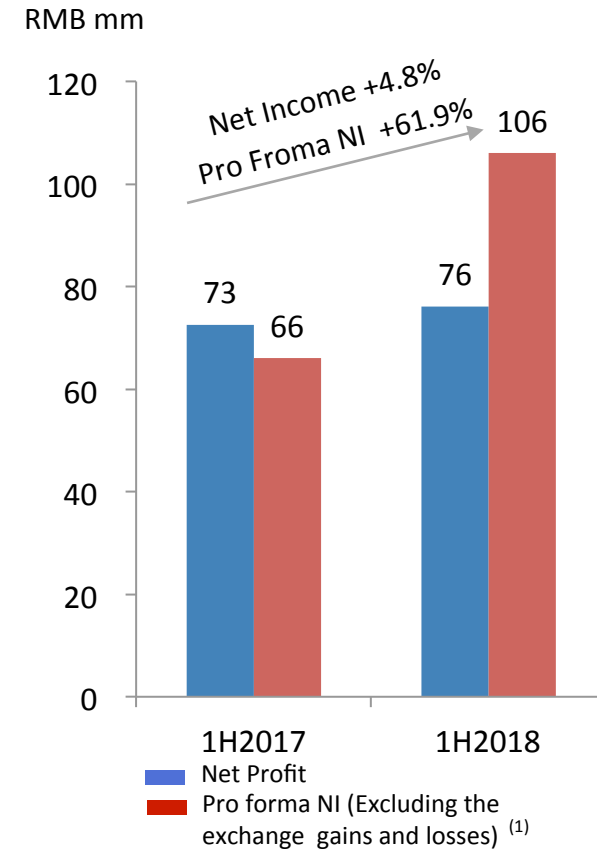
## Revenue



## Gross Profit



## Net Profit



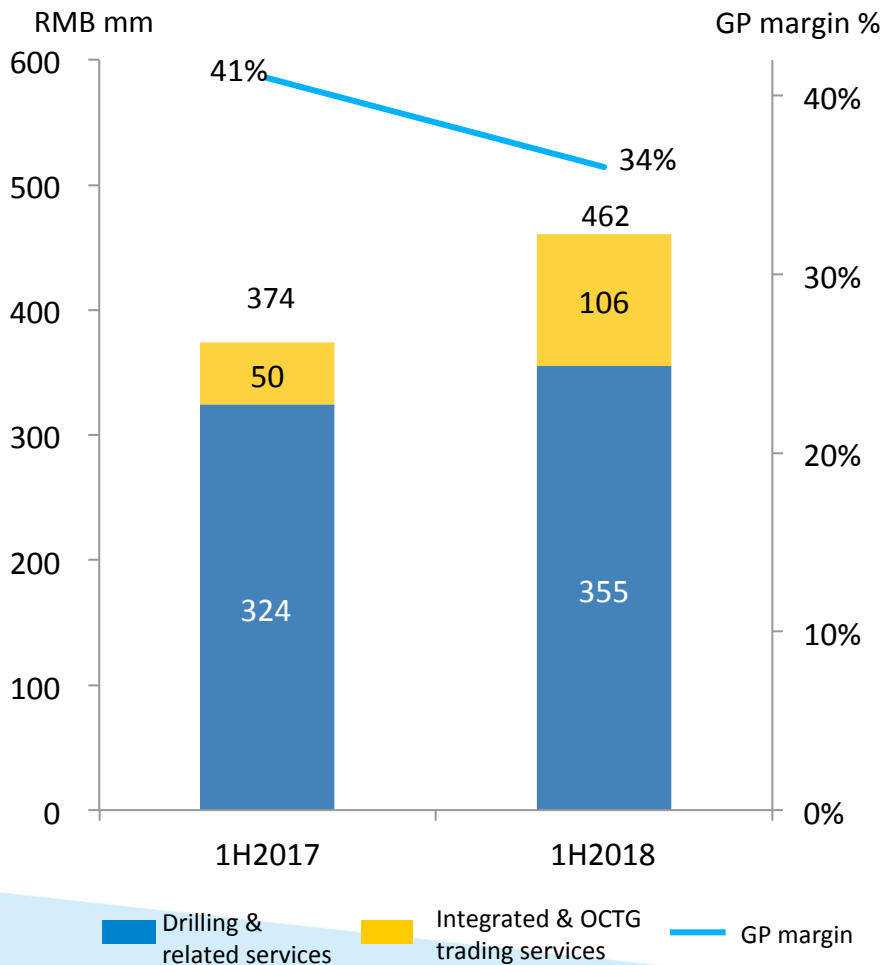
- ❖ 1H2018 revenue amounted to RMB1.5 billion, an increase of 19.7% compared to 1H2017
- ❖ Excluding FX impact, Pro forma net income reached RMB106 million, a year-on-year increase of 61.9%

## Business Review

# Oilfield Services

Segment Revenue: +23.3%

Stable Drilling Services and Integrated Service as the growth driver

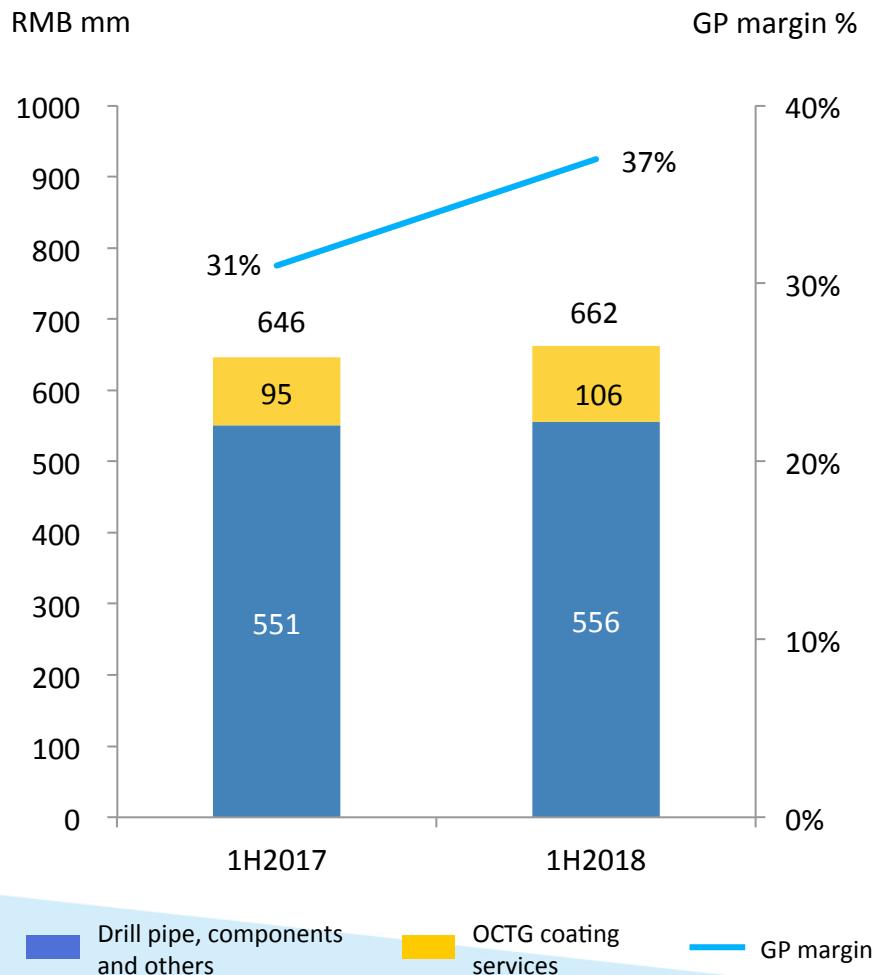


- Achieved healthy operation in traditional drilling services
  - ❖ Steady improvement of existing rigs utilization lead to 10% growth in drilling services
  - ❖ Smooth continuation of existing contracts and completed the relocation of one rig would help to further improve utilization
- ❖ Successfully engaged new customers, won new contracts could provide core driver for future growth
  - ❖ Signed two high end mechanize land rig contract with PDO. Expected to start operation before the end of the year. Successfully entered into Middle East market
  - ❖ Sign two workover rigs service contracts with BP in Iraq. Further received recognition by first-tier international customers
- ❖ Integrated oilfield services continued to be the key growth driver



# Oilfield Equipment Manufacturing and Services

## Stable Revenue with Improved Margin



## Less Quantity, More High Quality Business

### Drill pipe and related products

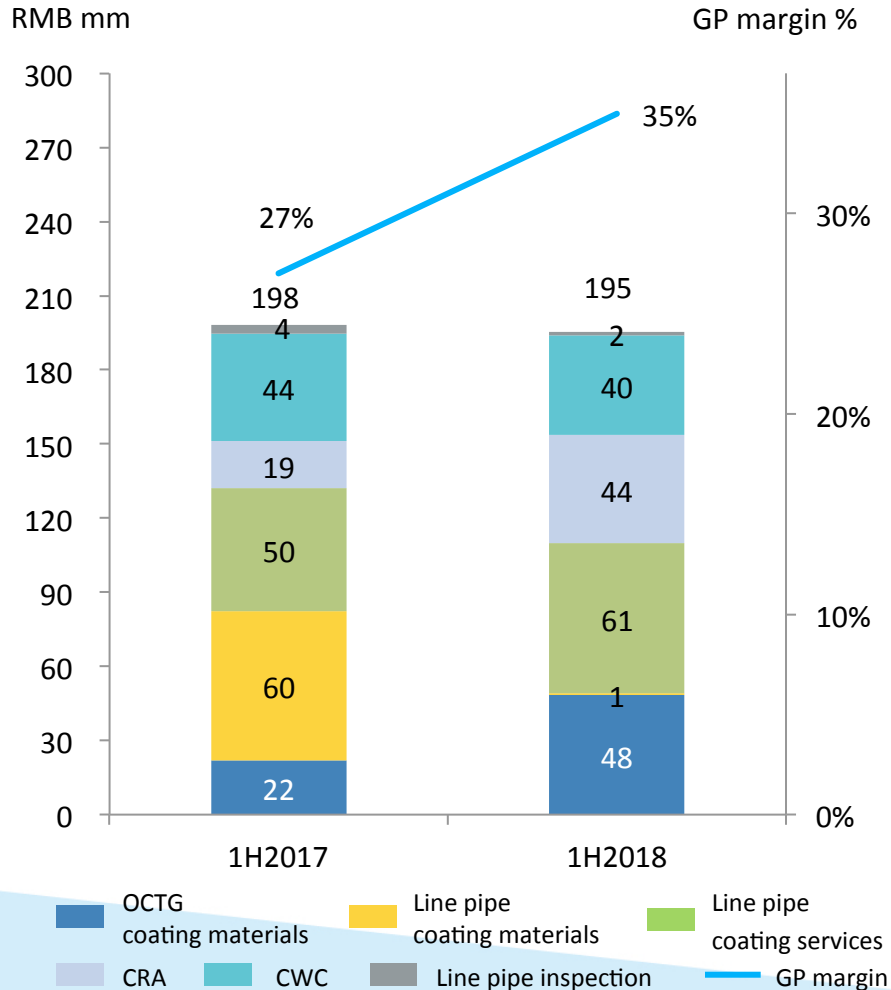
- Stable business, strong demand from international market allowing the company to be more selective in our production to reduce some low quality demands and focus in high quality demands. Overall margin improved significantly despite overseas production reduced to 23,900 tons
- Domestic market saw recovery in both price and volume
- Contribution of non-API continued to improve, resulted in higher GP margin

### OCTG coating services

- Breakthrough in oversea development. New Russian OCTG coating plant saw encouraging results at early stage of operation. Demonstrated Hilong's advanced techniques and market edges
- Strong overseas growth help to overcome negative impact in domestic market in 2H2017

# Line Pipe Technology and Services

## Improved Product Mix, Record High in GP Margins



## Breakthrough in High End Products

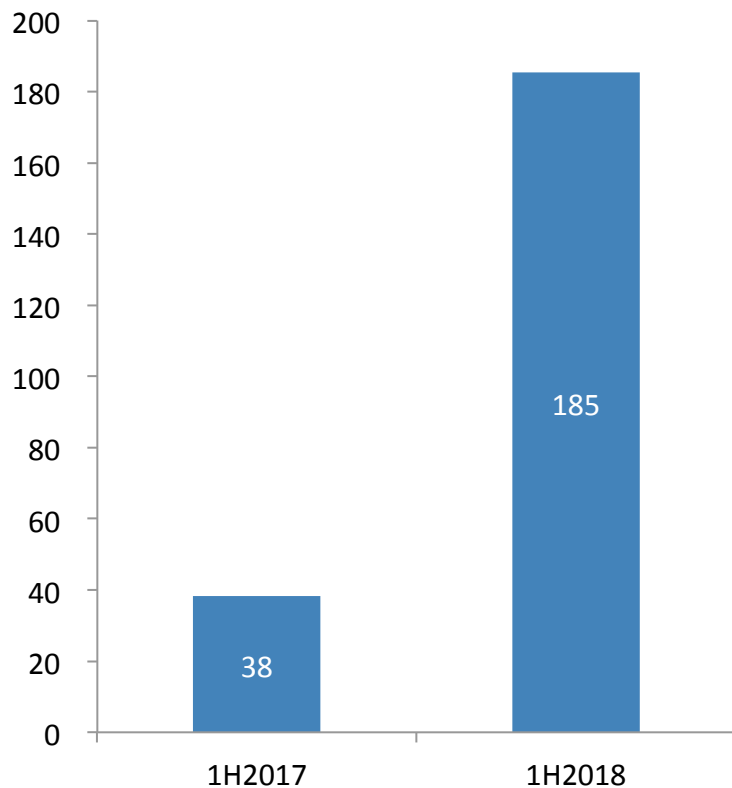
- ❖ Driven by strong overseas OCTG coating services demand, revenue of OCTG coating material increased by over 120%
- ❖ Breakthrough in several High End Products
  - ❖ Technical breakthrough in CRA helped to expand its scope of application, resulted in over 130% growth in revenue
  - ❖ Technical breakthrough in CWC also helped to achieve significant growth in production level
  - ❖ For the market development, breakthrough in CWC helped to lower production cost. It also achieved market breakthrough with a contract signed recently with the value of over RMB173 million in Bangladesh and provided large momentum for development
- ❖ Strategically reduced business of low end products, resulted in improving segment margin

# Offshore Engineering Services

Segment Revenue: + 385%

High utilization rate and  
Completion of High Quality Projects

RMB mm



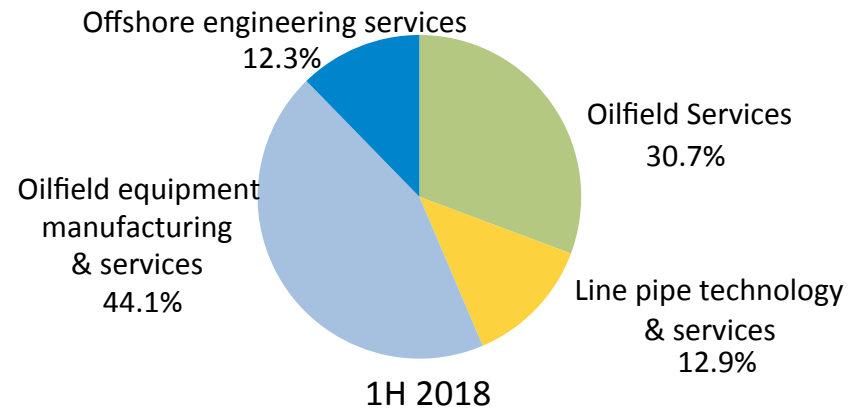
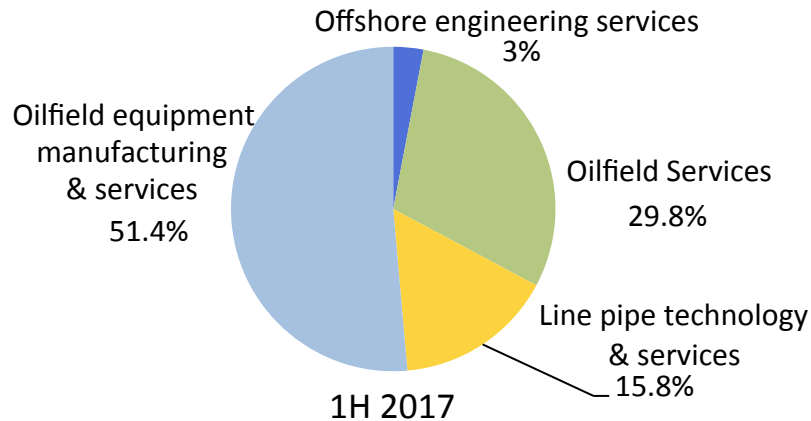
Offshore pipe laying service

- ❖ CPOC Thailand project
  - ❖ Transportation and installation of 3 platforms and subsea pipeline
  - ❖ Realized revenue of RMB93.07 million
- ❖ Sepeat Malaysia project
  - ❖ Replacement the key components of 1 platform. Extremely high installation accuracy required
  - ❖ Realized revenue of RMB40 million
- ❖ Shipping maintenance contract of “PJW3000”, realized RMB39.03 million in revenue
- ❖ HL106 made sail for BP offshore block in Indonesia Saipem project on 13 June. Project expected to be extend till end of the year or earlier next year

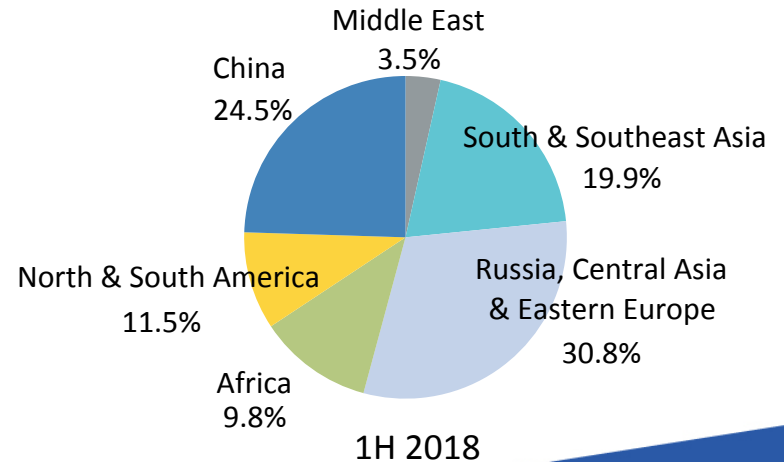
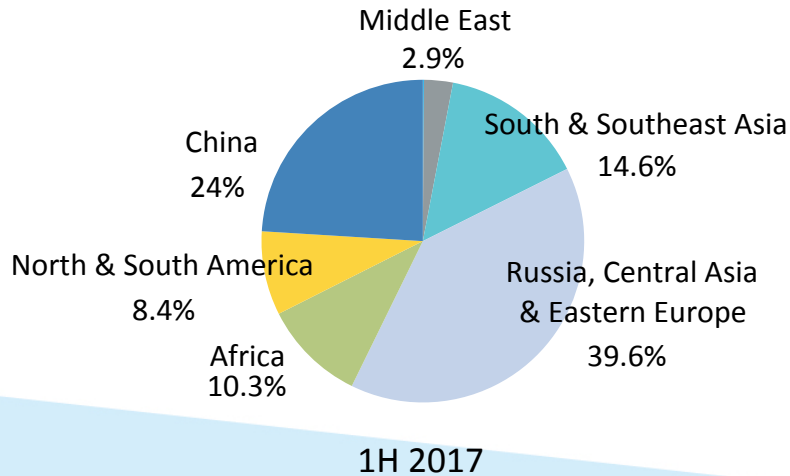
## Financial Performance

# Revenue Breakdown

## Revenue Breakdown by Segment

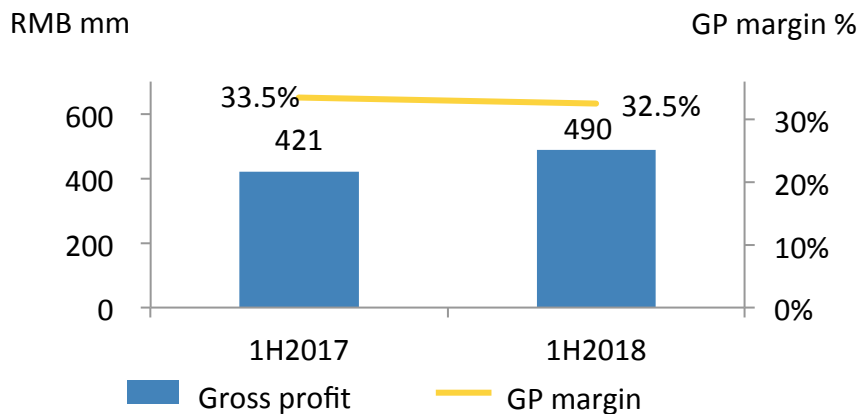


## Revenue Breakdown by Geography

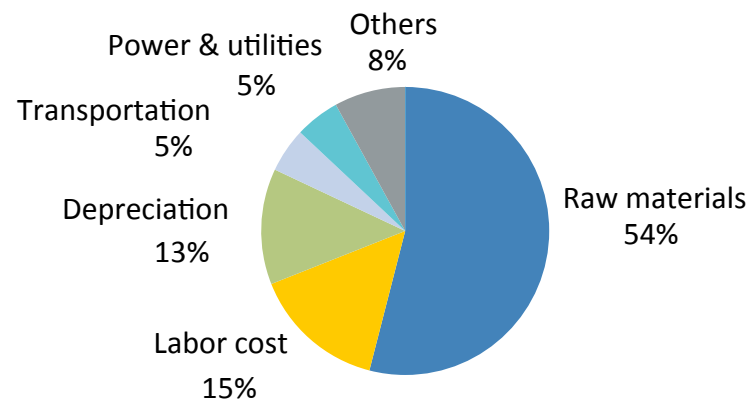


# Cost and Gross Profit Analysis

## Slight Decrease in Gross Profit Margin



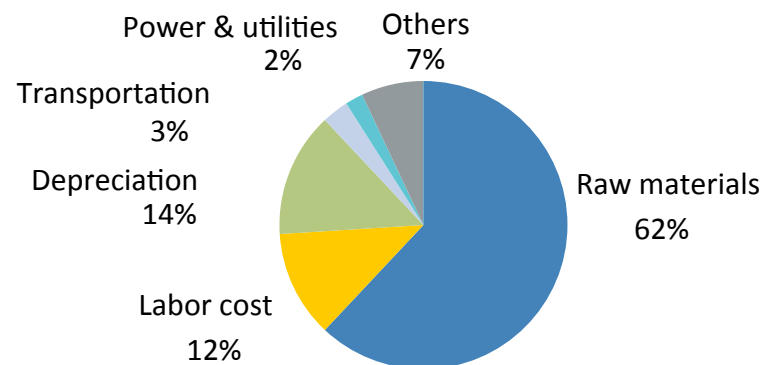
## Total Cost in 1H2018: RMB1,015 MM



## Account Receivable

'000 RMB	2017	1H2018
- Within 90 days	814,464	<b>756,705</b>
- over 90 days and within 180 days	195,656	<b>221,117</b>
- over 180 days and within 360 days	332,458	<b>321,170</b>
- over 360 days and within 720 days	266,502	<b>218,901</b>
- over 720 days	298,601	<b>262,632</b>
		<b>228,616 *</b>

## Total Cost in 1H2017: RMB835 MM



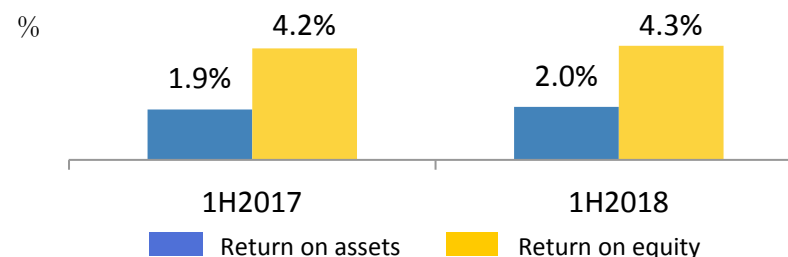
\* As at 23/08/2018, over 720 account receivable has been reduced to 229 million RMB

# Capital Structure and Return Rate

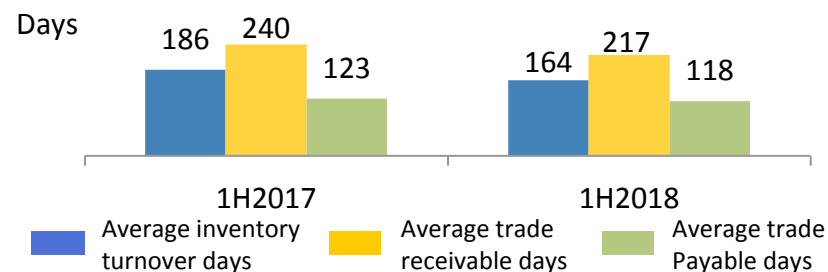
## Capital Structure

	2017	1H2018
RMB mm		
Cash & cash equivalents	389	558
Current assets	3,708	4,023
Total assets	7,151	7,622
Short-term debt	544	516
Long-term debt	1,905	2,389
Total liabilities	3,687	4,104
Shareholders' equity	3,232	3,286
Minority interest	232	232
Total equity	3,464	3,518

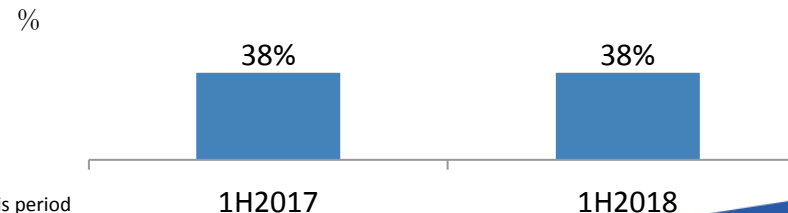
## Return on Assets & Return on Equity (1)



## Turnover Days for Current Assets (2)



## Gearing Ratio: Net Debt/Total Capital (3)

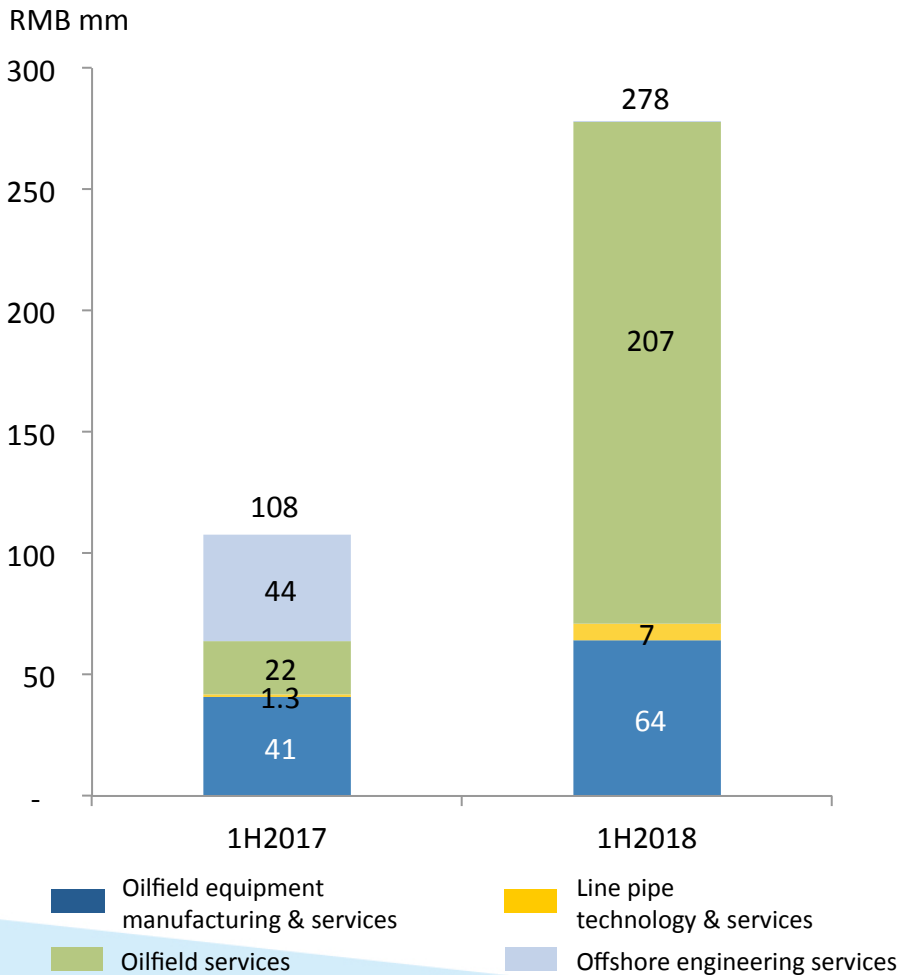


Note:

- Return on assets = net profit / ending balance of total assets;  
Return on equity = net profit / ending balance of total equity
- Average inventory days = days in the period \* average inventory of this period / cost of sales of this period  
Average trade receivables days = days in the period \* average net trade receivables of this period / revenue of this period  
Average trade payables days = days in the period \* average trade payables of this period / cost of sales of this period
- Net Debt = Long term debt + short term debt – cash and cash equivalents, total capital = total equity + net debt

# Capital Expenditure

## Capital Expenditure Breakdown



## Major Capital Expenditure Projects

### Oilfield services

2 new rigs for the PDO contract &  
Normal maintenance of rigs

### Oilfield equipment manufacturing & services

Coating production line in Russia &  
equipment



## Business Outlook

- ❖ Continue to implement international development strategies. Expand to new regional markets with a focus in the Middle East and South Asia region which benefitting from the one belt one road policy in China

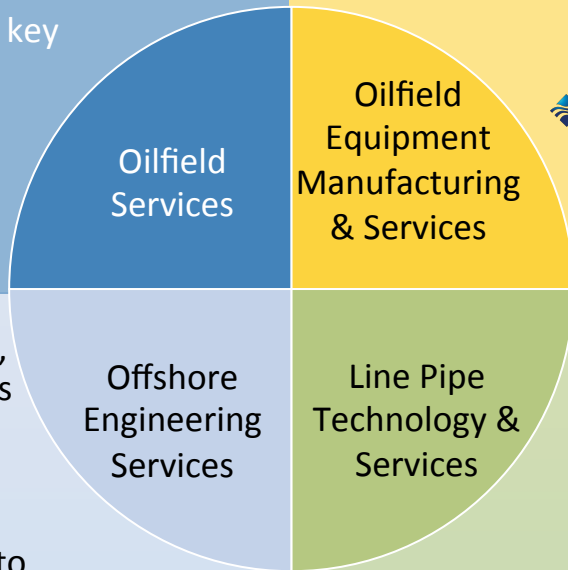
- ❖ Leveraging PDO and BP contracts as key platform to enter into to high-end markets in Middle East

- ❖ Further develop integrated oilfield service, improve our service quality

- ❖ Continue to explore overseas market, especially in Southeast Asian regions to secure future workload for HL106

- ❖ Actively follow up more overseas tenders in order to further expand into oversea markets

- ❖ Continue to pursue in both civil as well as oil and gas related offshore projects aiming for diversification of business



- ❖ Grasp the high-end equipment markets in international markets. Speed up marketing for high entry barrier and high-end products such as OCTG coating and hardbanding wire in overseas markets. Use of the well received drill pipe products to gain market recognition in overseas market, so as to create synergies

- ❖ Put more efforts in increasing sales of high value added non-API drill pipe products and related services

- ❖ Upgrade the technology in existing production facility for OCTG coating services in PRC. Eliminate the negative effects caused by tighten environmental rules

- ❖ Increase research and development and promotion in high-end products, further expansion in line pipe inspection services business. Closely follow up the market trend in PRC

- ❖ Leveraging the breakthrough in the technology and market expansion of CRA and CWC, Hilong will further promote their market application and winning more contracts

Q & A