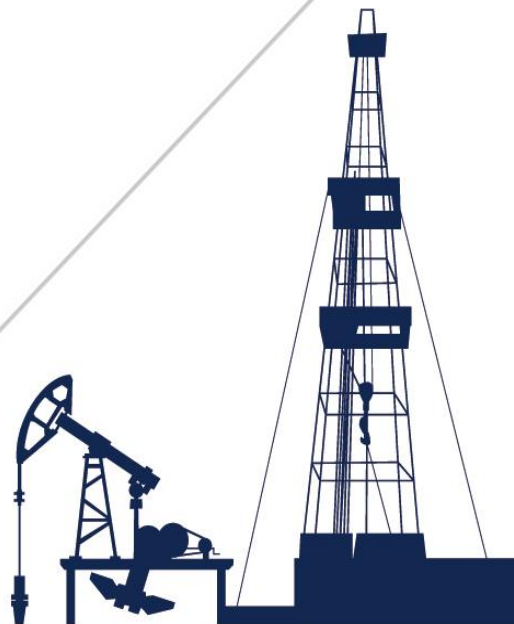




海隆控股有限公司*
Hilong Holding Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1623

* For identification purpose only



**2017 Annual Results
Presentation**
March 2018



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Results Highlights



Results Highlights

Hilong achieved satisfactory results in operations across all business segments in 2017



Oilfield equipment manufacturing & services

- ❖ Drill pipe business was the first segment to be benefited by the recovery of oil & gas market with rapid growth in production and revenue
- ❖ Expanded quickly in overseas market, especially in Russian and central Asian market
- ❖ Became an important supplier to key customers such as Rosneft
- ❖ OCTG coating services to follow our drill pipe product to actively explore overseas market



Line pipe technology & services

- ❖ Reduced margin due to increase material cost and harsh market conditions
- ❖ Won several contracts in both China and overseas markets
- ❖ Actively promoted the diversification and high-end line pipe technology & services. High-end product such as CRA and CWC achieve significant growth



Oilfield services

- ❖ Achieved stable operation and revenue for the drilling services
- ❖ Maintained stable margins of existing rig fleet
- ❖ Relocation of HL-9 from South American market to Pakistan with significantly improved utilization
- ❖ Breakthrough in comprehensive integrated technological service
- ❖ Further demonstrated Hilong's strong technical capability, and became an new growth driver for this segment



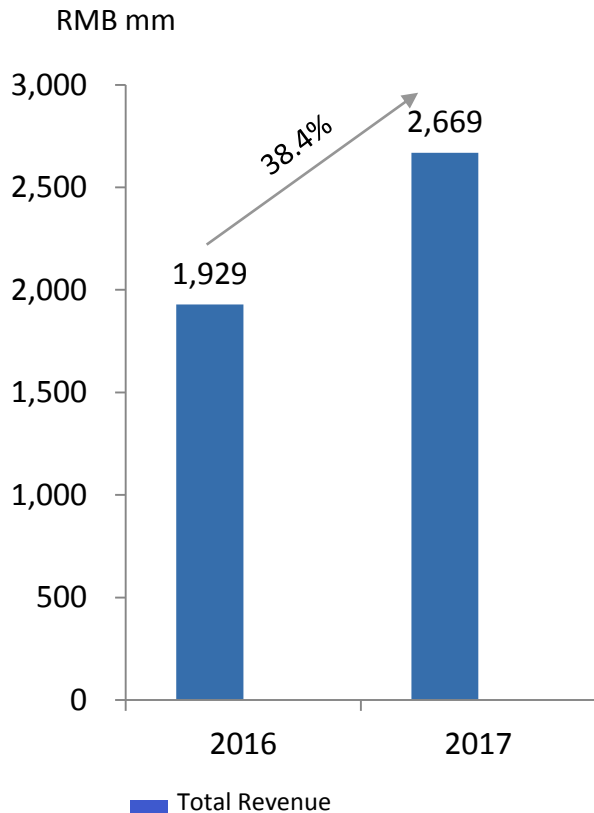
Offshore engineering services

- ❖ Successfully completed a complicated design project for the construction the new airport in Sanya
- ❖ Secured a number of major contracts in Southeast Asian market. Since the 4th quarter of 2017, HL 106 is operating in Thailand; Malaysia and Indonesia
- ❖ The offshore engineering segment's contract is expected to be significantly pick up in 2018

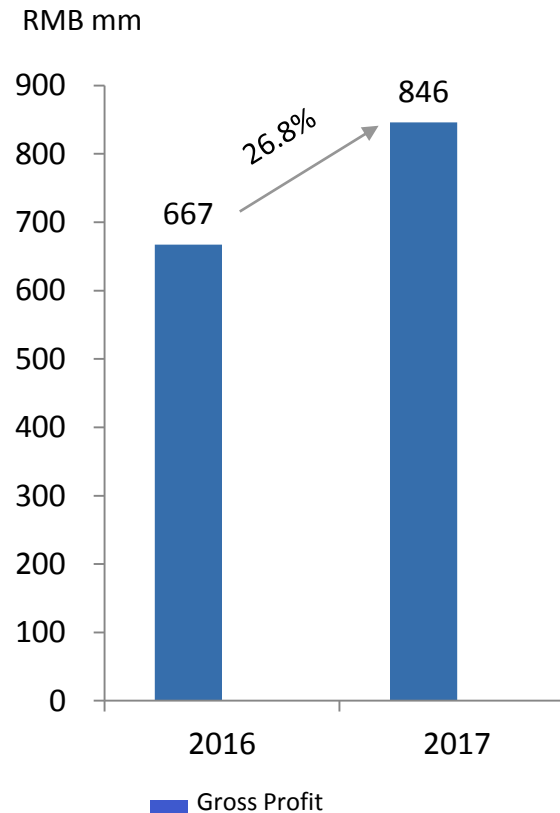


Financial Overview

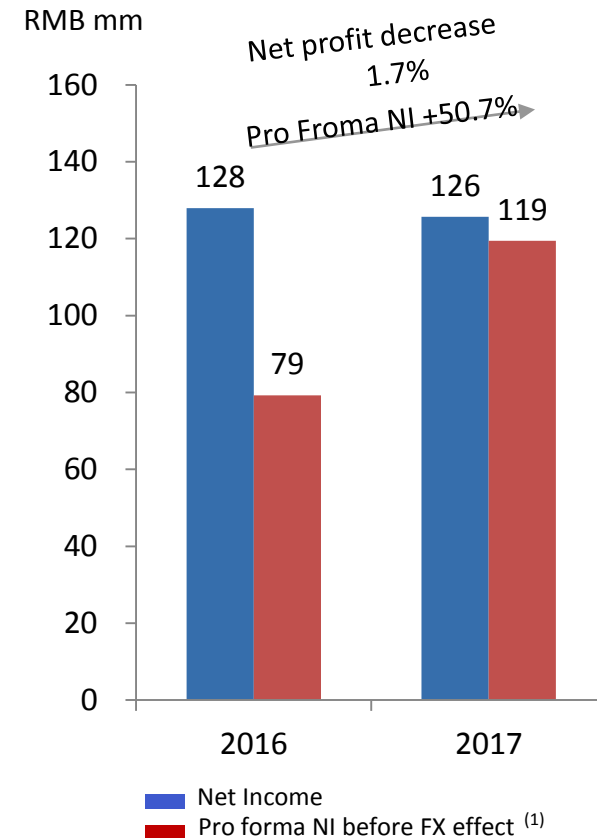
Revenue



Gross Profit



Net Profit



- 2017 revenue amounted to RMB 2.669 billion, an increase of 38.4% compared to 2016
- Pro forma net income removing FX impact of RMB 119 million, a year-on-year increase of 50.7%

1. Pro forma NI calculated by using PBT subtracting net FX impact and then multiply by 1-effective tax rate. (net FX impact in 2016 and 2017 are 48.6 MM and 6.2 MM respectively)

Business Review

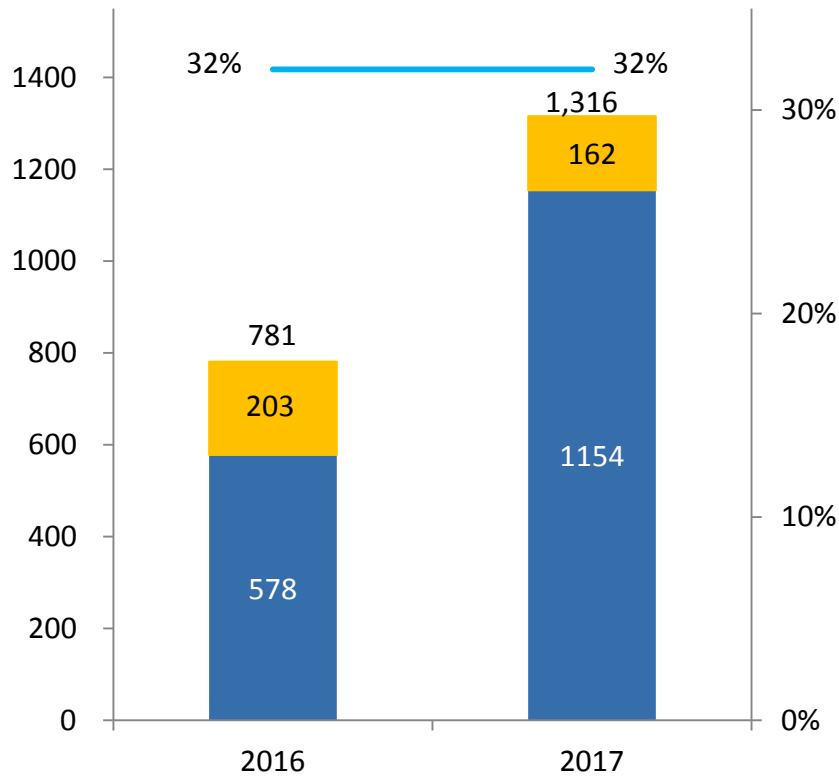


Oilfield Equipment Manufacturing and Services

Segment Revenue: +69%

Benefited by the recovery of oil & gas sector

RMB mm GP margin %



■ Drill pipe, components and others
 ■ OCTG Coating services
 — GP margin

Drill pipe and related products

- ◆ Success in overseas market lead to significant growth, especially in Russia and Uzbekistan
- ◆ Domestic drill pipe market achieve stable growth
- ◆ Successfully relocated part of the production facility to Russia, operation started during the 2nd half
- ◆ High-end market such as North America and Middle East markets achieve fast growth

OCTG Coating Services

- ◆ Revenue affected by reduced revenue in domestic market

Segment GP margin was affected by the decrease of high margin OCTG coating service. However such effect was most offset by the increase of drill pipe products' margin



Oilfield Equipment Manufacturing and Services (continue)

Domestic market recovery, lead to high-end demands

- ❖ As international oil price and demand for natural gas continue to grow, the drilling activities in domestic oil field increased, especially natural gas producing regions in the west, which will lead to more demands for Hilong's high-end drill pipe products
- ❖ As OCTG coating services' technical upgrade complete, we expect its revenue to recover during 2018
- ❖ As increases in safety requirement in oil & gas production in China, Hilong actively promote the application of coating to tubings and casings in order to expand the service scope and revenue sources

Strong growth in overseas market, assist global reach

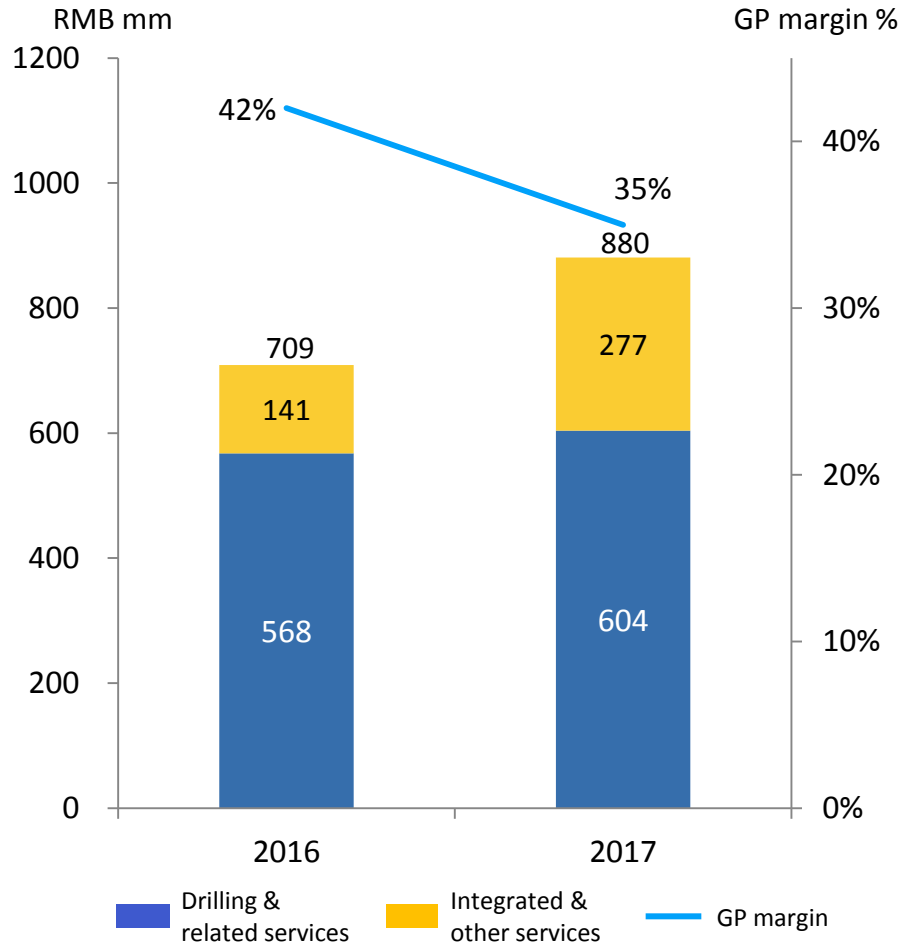
- ❖ As Sino-Russian East Gas Pipeline is pressing forward, Russia is expected to significantly increase gas supply to China, which will lead to increase in gas exploration and production, hence increase demand for Hilong's high-end products
- ❖ During the last two years, Hilong has successfully became a key supplier in Russian market. As we started local drill pipe production in 2017, we expect to increase our product competitiveness in the market
- ❖ North America and Middle East market record fast growth
- ❖ As drill pipe product achieved success in the international market, Hilong is actively driving for expanding overseas development for our OCTG coating services








Oilfield Services

Segment Revenue: +24%



Stable drilling services revenue &
Breakthrough in integrated services



Maintain steady growth in drilling services

-  Successfully maintained steady operation of existing rigs
 -  Realized smooth continuation of existing contracts and maintained relatively strong pricing power and margin
-  Successfully engaged new customers, won new contracts and marched into new markets
 -  Successfully relocated HL-9 from South American market to Pakistan with significantly improved utilization
 -  Explored Middle East market, Signed two high-end land rig services contract with 10+5 year contract term

Breakthrough in integrated services

-  Further promoted the transformation towards an integrated oilfield services provider
-  Comprehensive integrated technological services in Pakistan develop smoothly

Integrated service composed of large number of outsourced services, its gross profit margin is lower than drilling services, hence a lower aggregate GP margin

Oilfield Services (continue)

Market recovery , benefiting oilfield service segment

- ❖ Oil & gas sector showed signs of recovery in 2017, during which Hilong's existing rigs maintained steady operation. Their utilization has seen notably improved since the end of 2017. We expect earnings from the existing rigs to see significant increase in 2018
- ❖ During 2017, Hilong has made some adjustments to its global footprint. HL-9 was successfully relocated from South America to Pakistan, with significantly improved utilization. To meet the growing demand, Hilong is studying the possibility to relocate a further rig from South America to Pakistan

Continue diversification, explore new services and new markets

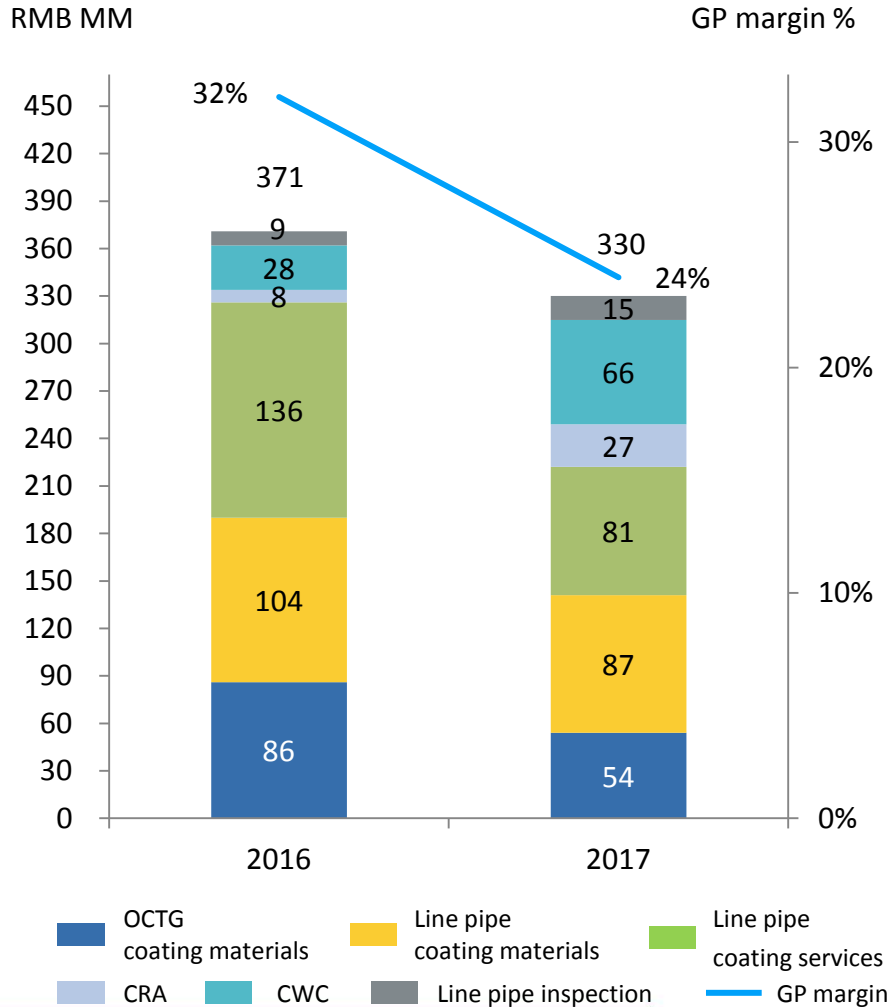
- ❖ In 2017, Hilong achieved breakthrough in integrated services with 9 wells integrated services contract. Such new contract became an important source of revenue growth. 2018, Hilong will continue to actively promote our integrated services, to be an important growth driver
- ❖ Hilong has always emphasis high-end drilling services. It is actively developing "Managed Pressure Drilling" technology, which is expected to be introduced to our drilling services in 2018, to further enhance Hilong's technical advantage
- ❖ At the beginning of 2018, Hilong successfully explored middle east market with two high-end drilling service contracts with PDO, which has a contract term of 10+5 years. This project received strong support from China's "One-Belt-One-Road" initiative



Line Pipe Technology and Services

Segment Revenue: -11%

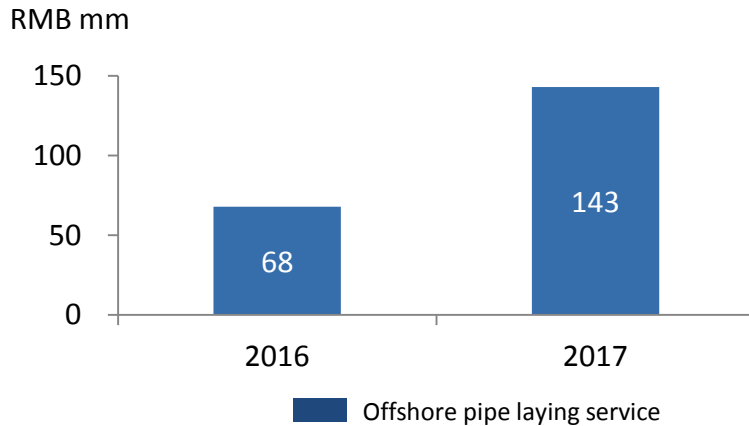
Implemented the strategy of diversification, High-end orientation and internationalization



- Coordinated development of domestic and international business and completed a number of important projects
 - Successfully secured a anti-corrosion and CWC order from Zhejiang Petrochemical Pakistan
 - PPL project in Pakistan
 - Coating project in Indonesia
 - CNPC Chuandong gas pipeline
- Successfully developed our own line pipe inspection equipment
- Developed various business lines to improve the overall segmental profitability and established steady development momentum for new businesses
 - Pipeline inspection project for Tarim Oilfield Kashgar project
 - CNPC Chongqing gas pipeline inspection services project
 - High end product such as CRA and CWC recorded significant growth

Offshore Engineering Services

Segment Revenue: +110%



Notable increase in new orders

- ❖ Successfully completed the design project for the construction of Sanya Airport
- ❖ Successfully completed the second installation of conduit rack project for TIMAS
- ❖ Secured a number of major contracts in Southeast Asian market. Since the 4th quarter of 2017, HL 106 is operating in Thailand; Malaysia and Indonesia

HL-106 in Operation

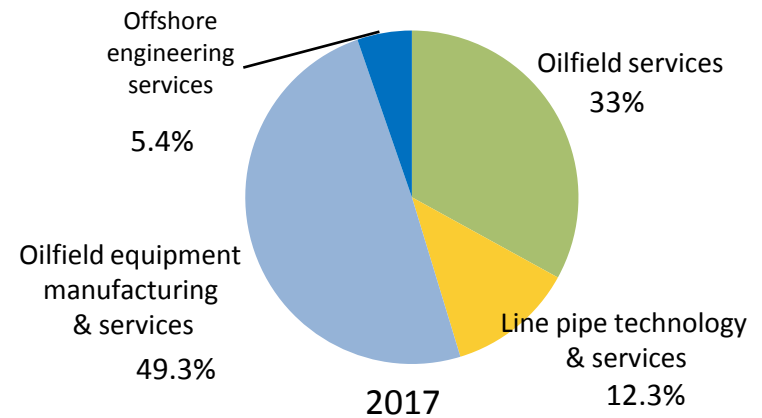
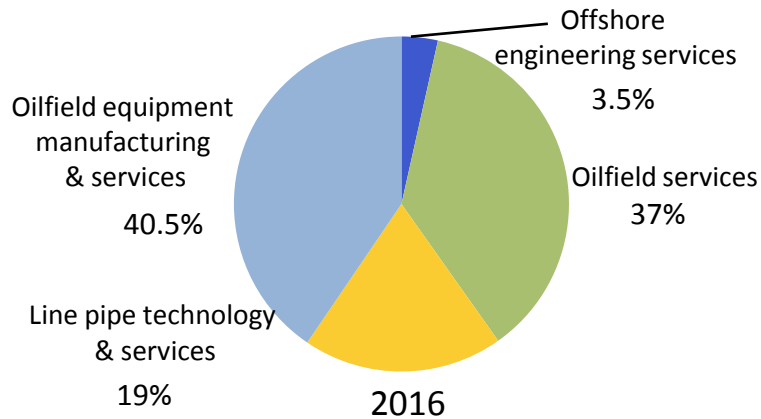


Financial Performance

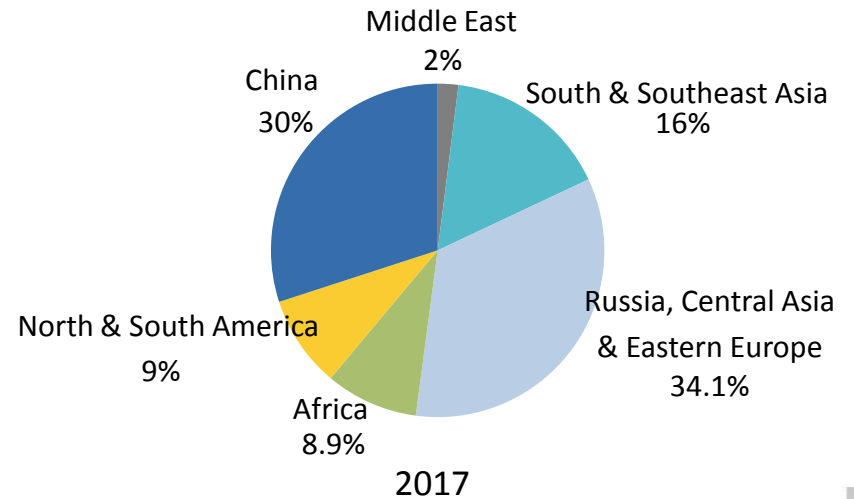
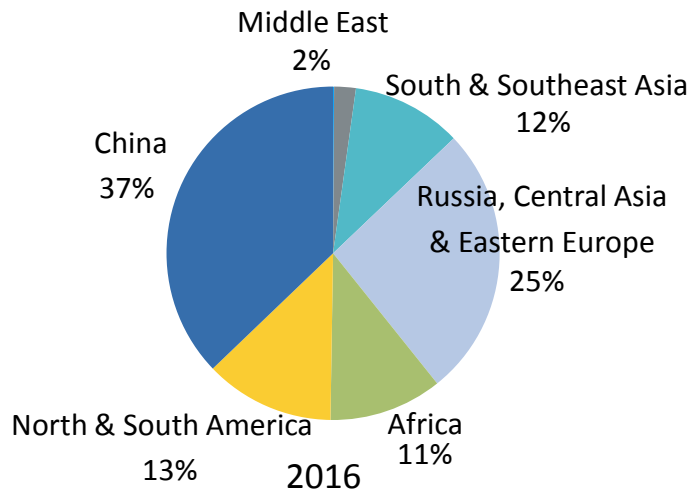


Revenue Breakdown

Revenue Breakdown by Segment

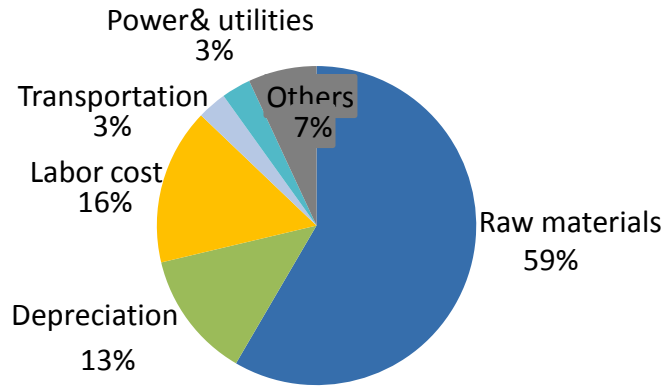


Revenue Breakdown by Geography

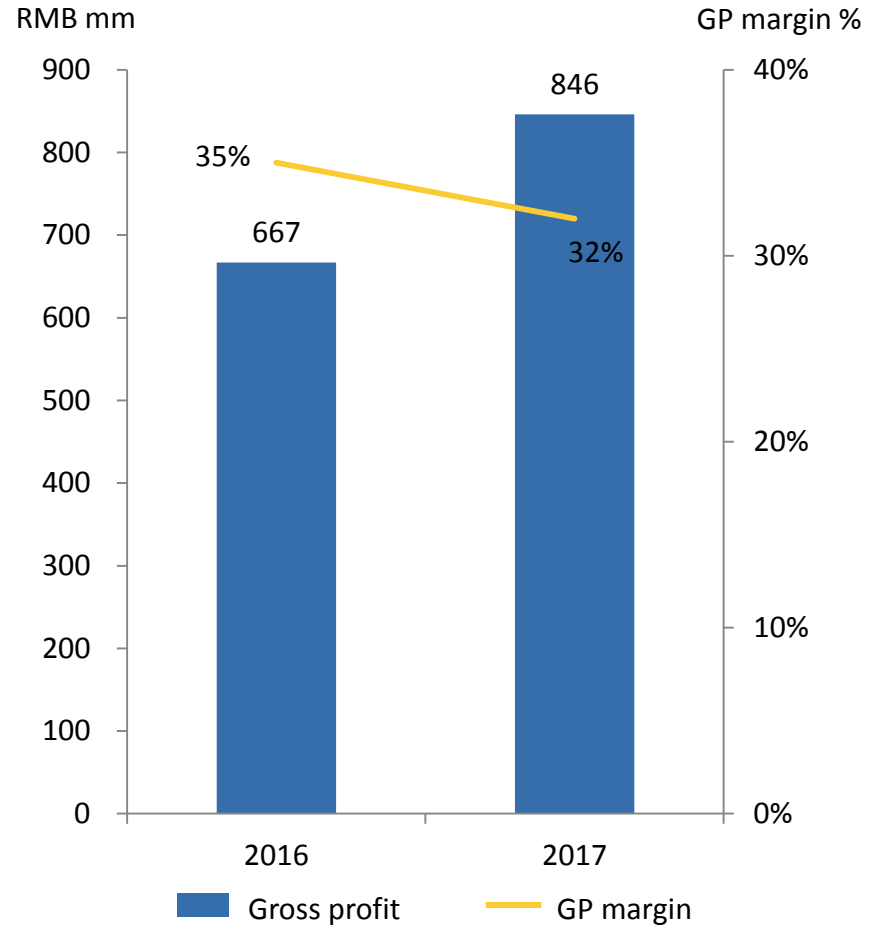


Cost and Gross Profit Analysis

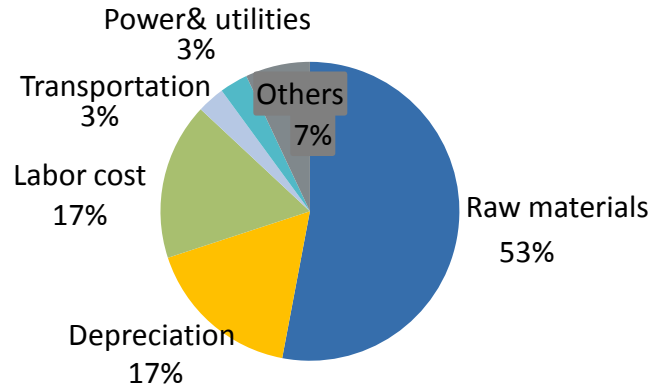
Total Cost in 2017: RMB1.82billion



Gross Profit remain healthy



Total Cost in 2016: RMB1.26billion

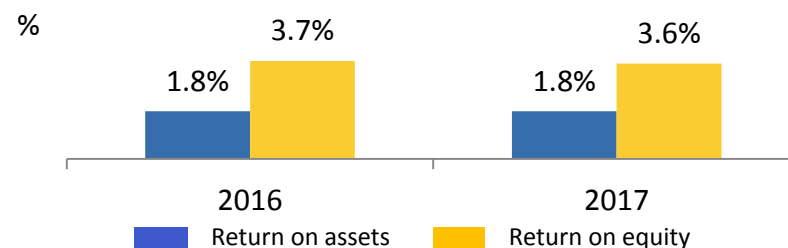


Capital Structure and Return

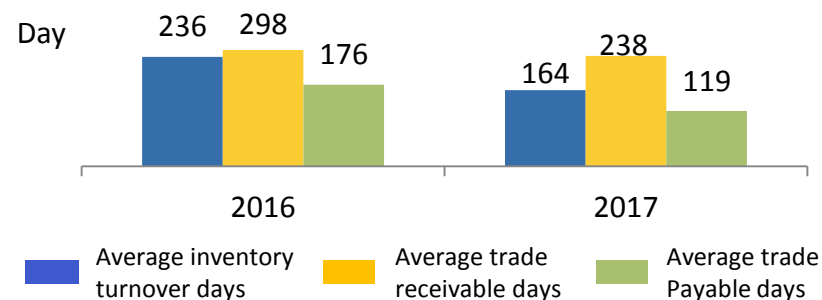
Capital Structure

	2016	2017
RMB mm		
Cash & cash equivalents	657	389
Current assets	3,691	3,708
Total assets	7,298	7,151
Short-term debt	1,431	544
Long-term debt	1,317	1,905
Total liabilities	3,806	3,687
Shareholders' equity	3,254	3,232
Minority interest	237	232
Total equity	3,492	3,464

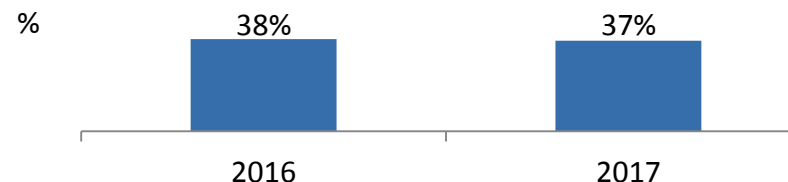
Return on Assets & Return on Equity ⁽¹⁾



Turnover Days for Current Assets ⁽²⁾



Gearing Ratio: Net Debt/Total Capital ⁽³⁾



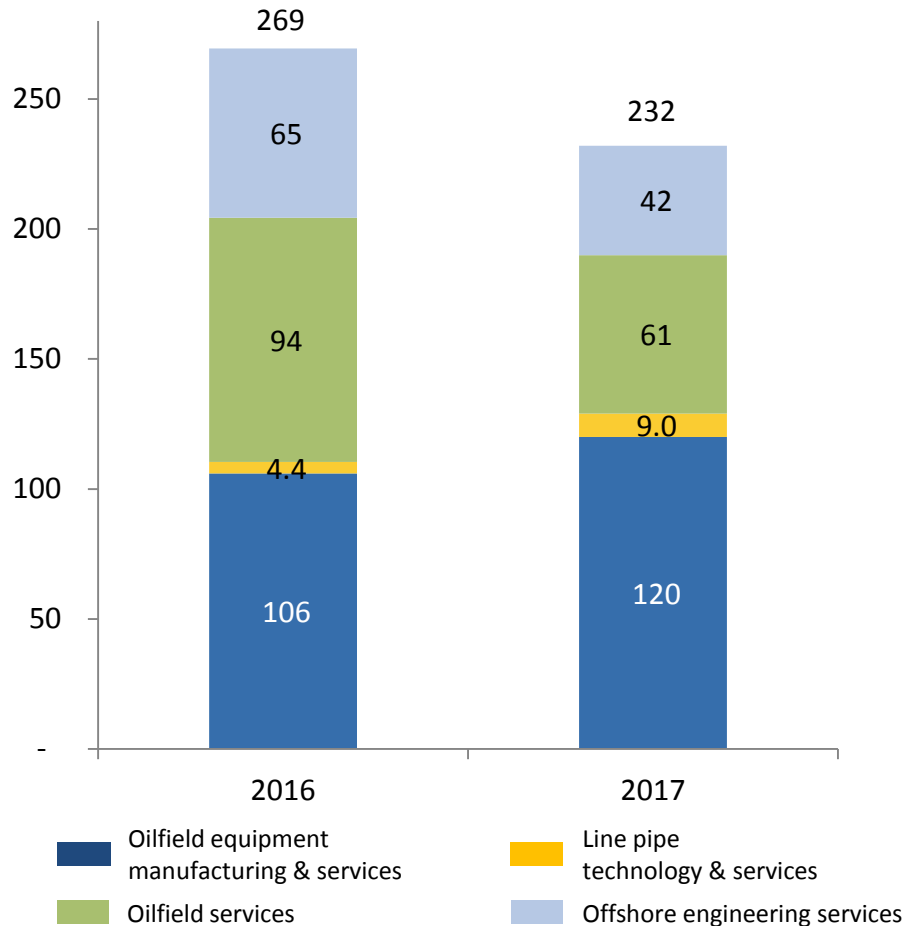
Note:

- 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

RMB million



Major Capital Expenditure Projects in 2017

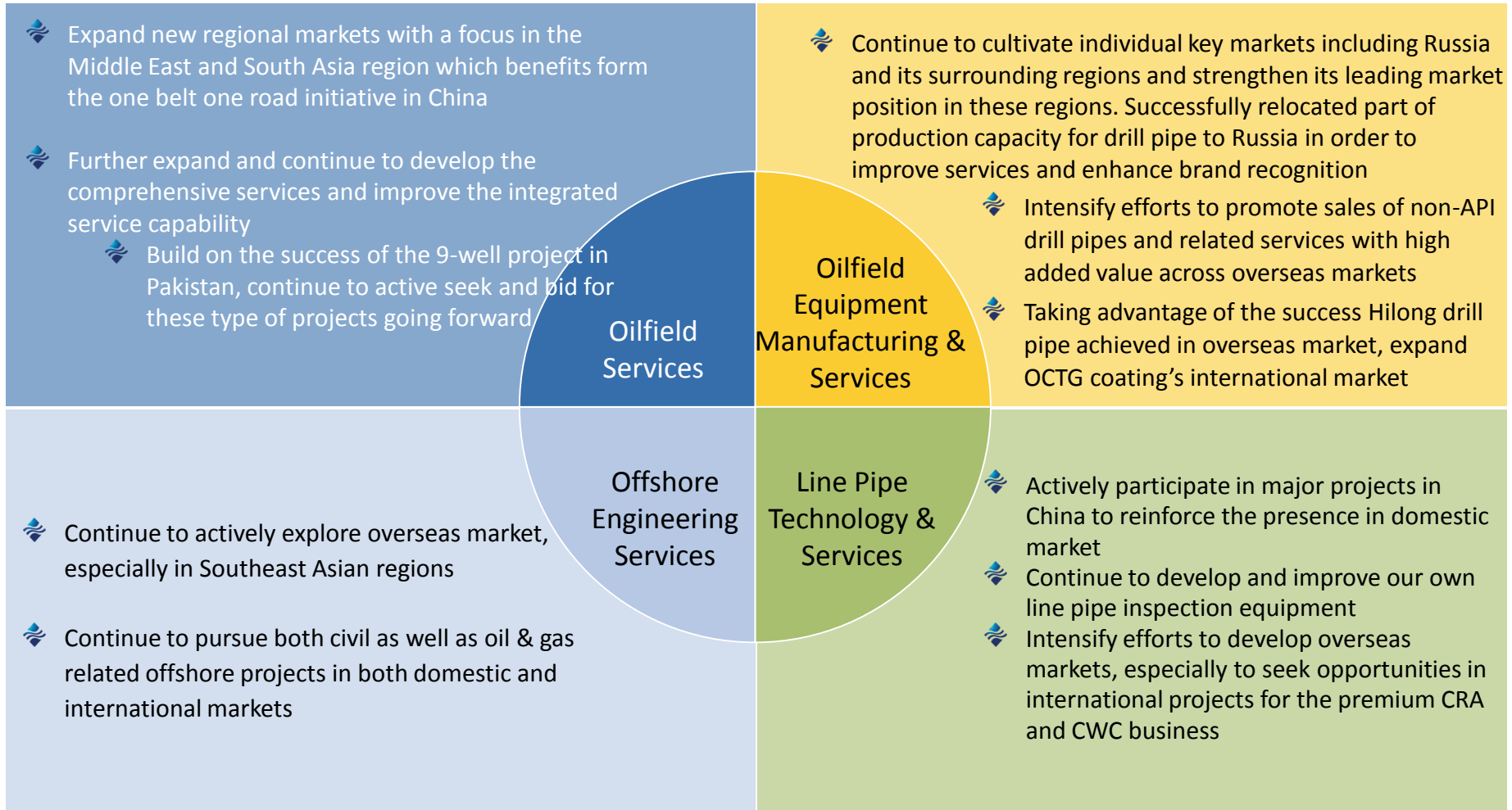
Offshore engineering services
Continuous upgrade for Hilong 106

Oilfield services
Normal maintenance of rigs

Oilfield equipment manufacturing & services
Coating production line in Russia and relocation of production line from middle east to Russia

Business Outlook





Q & A

