



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 Interim Results Presentation

August 2017



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Results Highlights

Results Highlights

Hilong achieved significant rebound in its operations across all of the business units in 1H2017



Oilfield services

- ❖ Achieved stable growth and maintained healthy operation for the drilling services
- ❖ Maintained stable day rate of existing rig fleet
- ❖ Improved average utilization rate for the rig fleet
- ❖ Successfully won comprehensive integrated technological service contract in Pakistan
- ❖ Further demonstrated that Hilong's strong technical capability, especially in comprehensive integrated oilfield services



Line pipe technology & services

- ❖ Achieved substantial growth in spite of harsh market conditions
- ❖ Won several contracts in both China and overseas markets
- ❖ Actively promoted the diversification and high-end development of line pipe technology & services



Oilfield equipment manufacturing & services

- ❖ Drill pipe and related products business achieved significant growth in weak market conditions
- ❖ Expanded quickly in overseas market, especially in ex-Soviet regions
- ❖ Became an important supplier to key customers such as Rosneft
- ❖ OCTG coating services maintained a stable market position



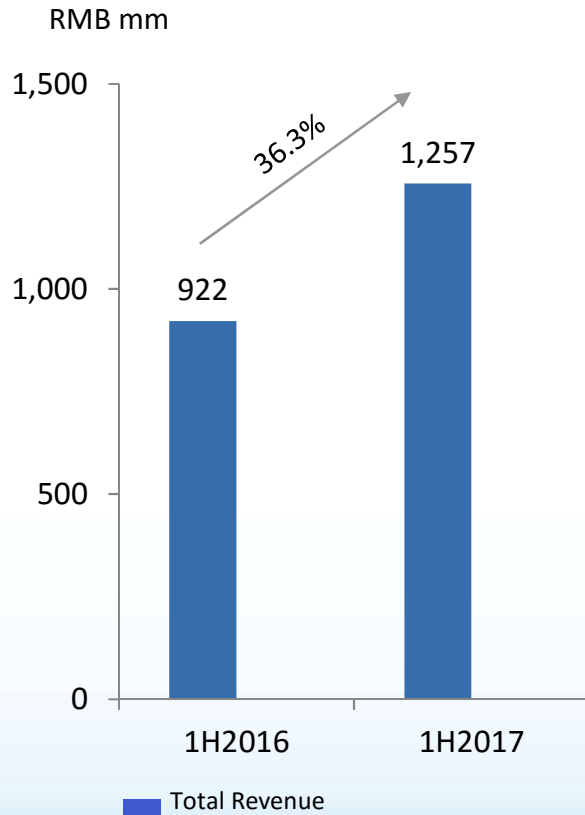
Offshore engineering services

- ❖ Successfully completed a complicated design project for the construction the new airport in Sanya
- ❖ Secured an extremely important project from the JV of Thai and Malaysian state oil companies
- ❖ The offshore team continues to work very hard on bidding additional projects including both civil as well as oil&gas related projects

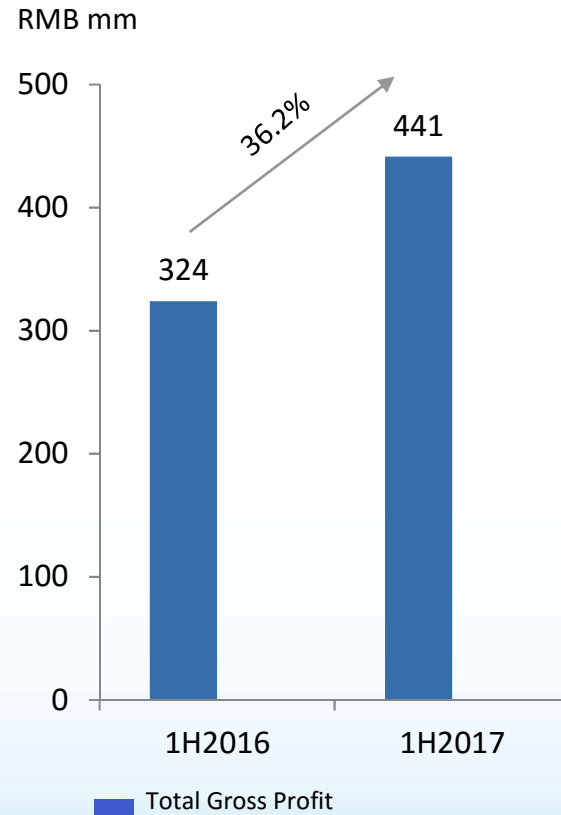


Financial Overview

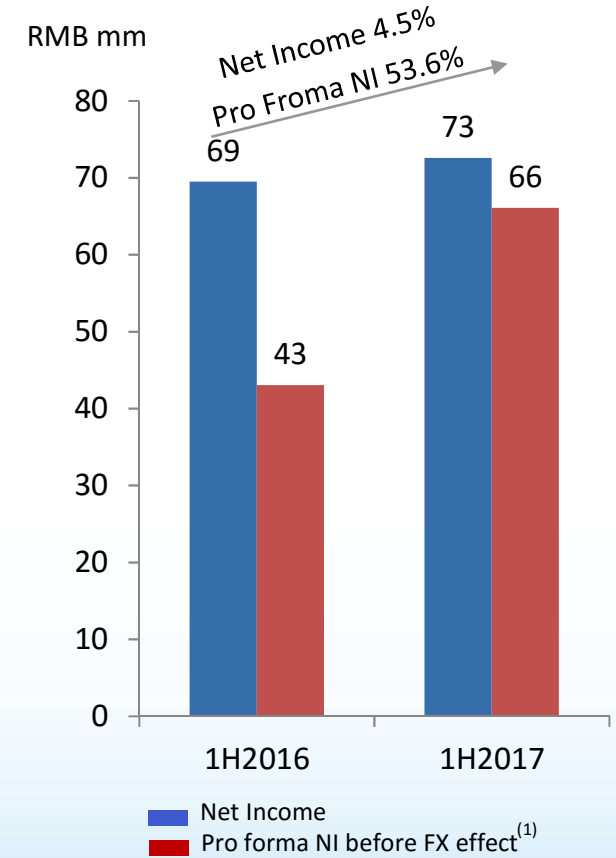
Revenue



Gross Profit



Net Profit



- 1H2017 revenue amounted to RMB1.26billion, an increase of 36.3% compared to 1H2016
- Pro forma net income removing FX impact of RMB66 million, a year-on-year increase of 53.6%

1. Pro forma NI calculated by using PBT subtracting net FX impact and then multiply by 1-effective tax rate. (net FX impact in 1H2016 and 1H2017 are 36.5MM and 9.1MM respectively)



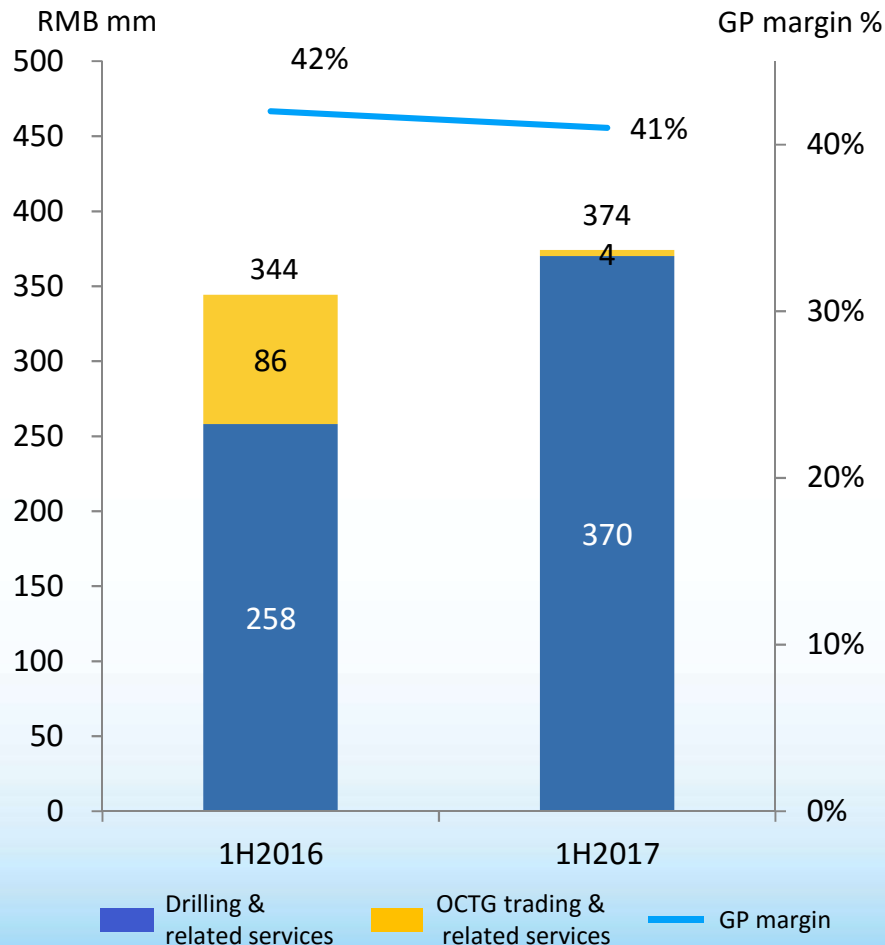
Business Review



Oilfield Services

Segment Revenue: +9%

Maintained Stable Growth of Drilling Services and Achieved Diversification of Business



Achieved healthy operation for traditional advantageous business amid the depressed market

- ❖ Successfully maintained steady operation of existing rigs
- ❖ Realized smooth continuation of existing contracts and maintained relatively strong pricing power
- ❖ Successfully engaged new customers, won new contracts and marched into new markets
- ❖ Won comprehensive integrated technological services contract for a total of 9 wells in Pakistan
- ❖ Proactively explored the potential market in Middle East region

Made notable progress for business diversification

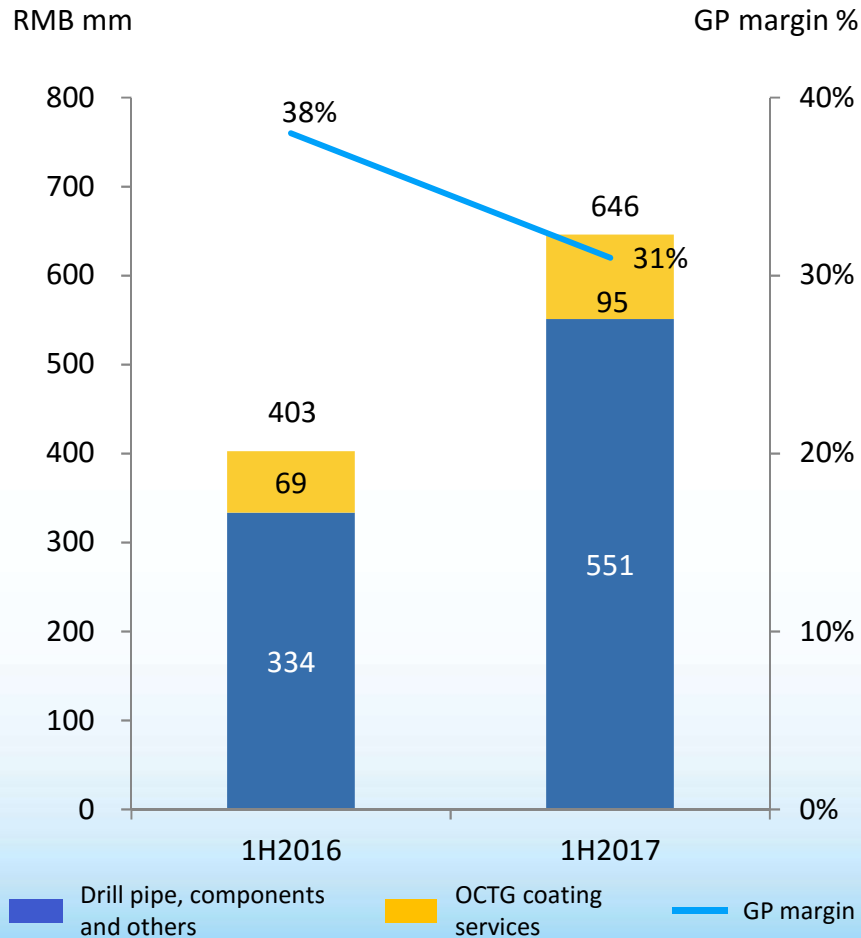
- ❖ Further promoted the transformation towards an integrated oilfield services provider
- ❖ Won new comprehensive integrated technological services contract in Pakistan



Oilfield Equipment Manufacturing and Services

Segment Revenue: +60%

Achieved notable growth in competitive market



Drill pipe and related products

- ❖ Achieved very strong growth, especially in ex-Soviet Union regions such as Russia and Uzbekistan
- ❖ Was selected as one of the key suppliers by Rosneft
- ❖ Successfully relocated part of the production facility to Russia, increased market share in Russia
- ❖ Continuously develop and promote premium products such as radio frequency identification and super high strength drill pipe

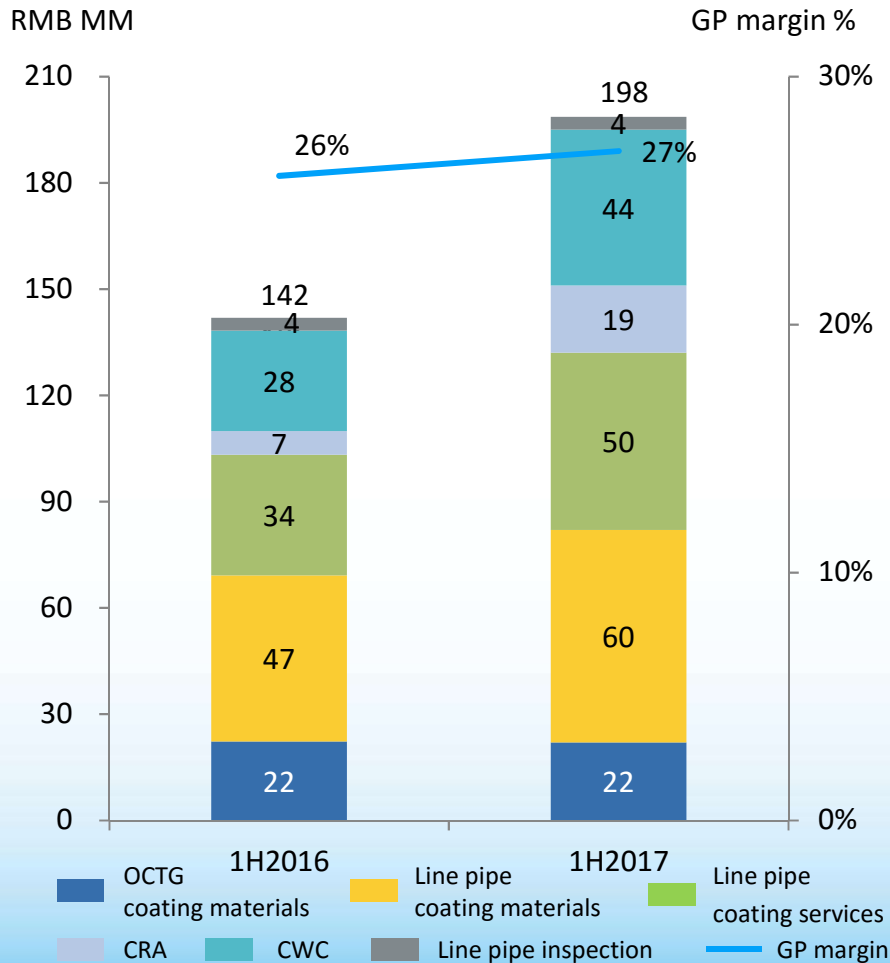
OCTG coating services

- ❖ Also good rebound in regions such as China, Russia and North American
- ❖ Actively promoted application of coatings on tubings and casings and other new types of pipes in order to expand the service scope and revenue sources

Line Pipe Technology and Services

Segment Revenue: + 40%

Implemented the Strategy of Diversification, High-end Orientation and Internationalization

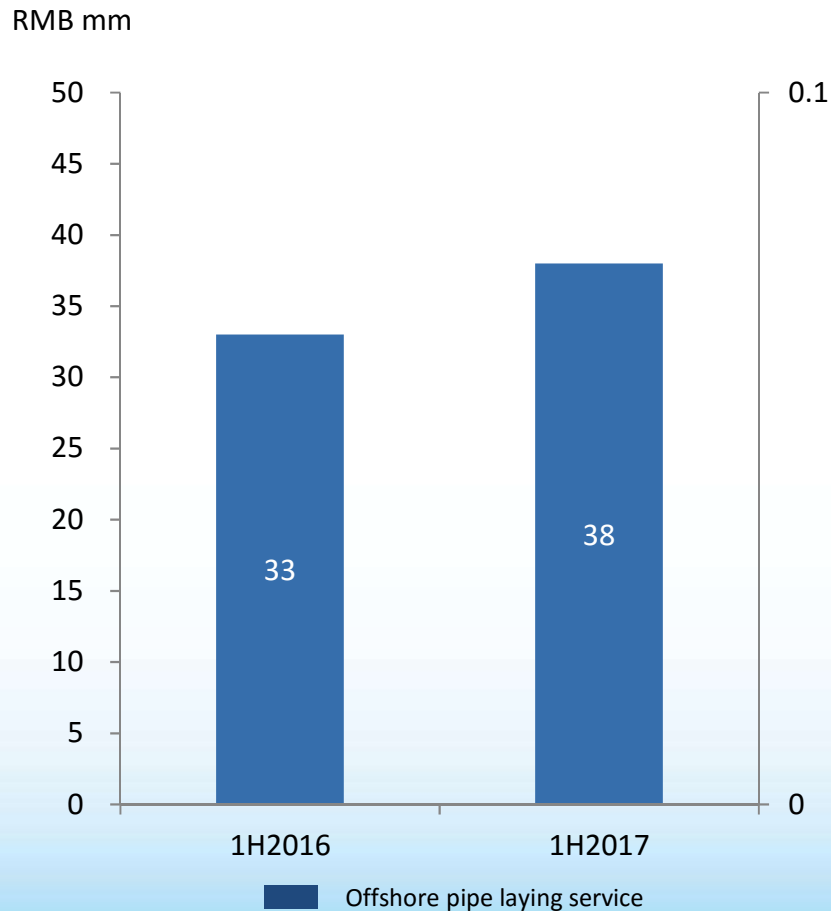


- ❖ Realized substantial growth amid the tough market
- ❖ Coordinated development of domestic and international business and completed a number of important projects
 - ❖ Successfully secured a anticorrosion and CWC order from Zhejiang Petrochemical Pakistan
 - ❖ Coating project in Indonesia
 - ❖ PPL project in Pakistan
 - ❖ CNPC Chuandong gas pipeline
- ❖ 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

Offshore Engineering Services

1H2017 Revenue of RMB38 MM

Vigorously promoted the new segment and won several orders despite tough market conditions



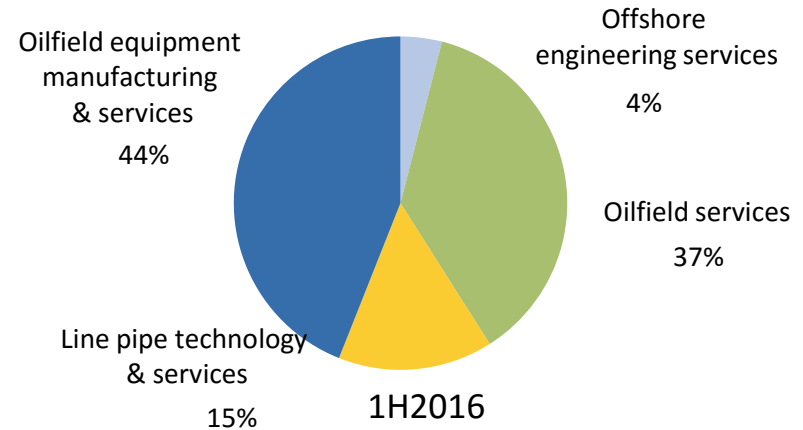
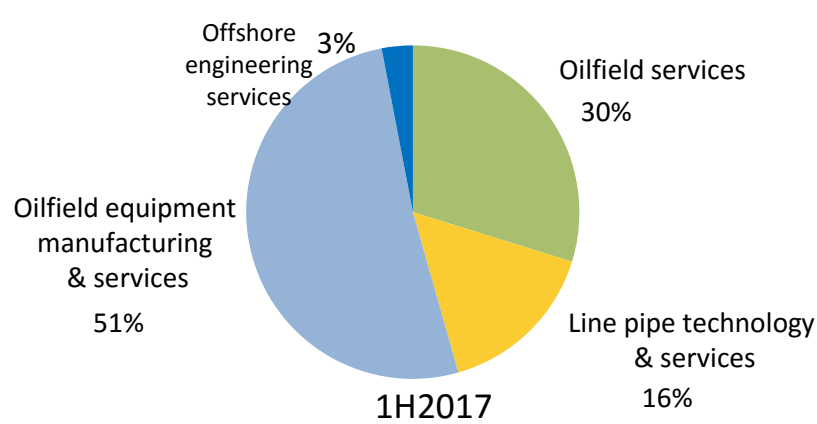
- ❖ Successfully completed the design project for the construction of Sanya Airport
- ❖ Successfully completed the second installation of conduit rack project for TIMAS and received very good feedbacks from the customer
- ❖ Secured a very important project from the JV of Thai and Malaysian state oil company in regards to an offshore installation and pipelaying project in Southeast Asia. The total contract value is more than USD25MM
- ❖ Offshore engineering design service team provided strong technical support internally while independently obtained design consultation services contracts from external customers with its service widely accepted by the industry
- ❖ Strengthened its core team and improved the operating system in a fast and effective manner, and laid the groundwork for future development

Financial Performance

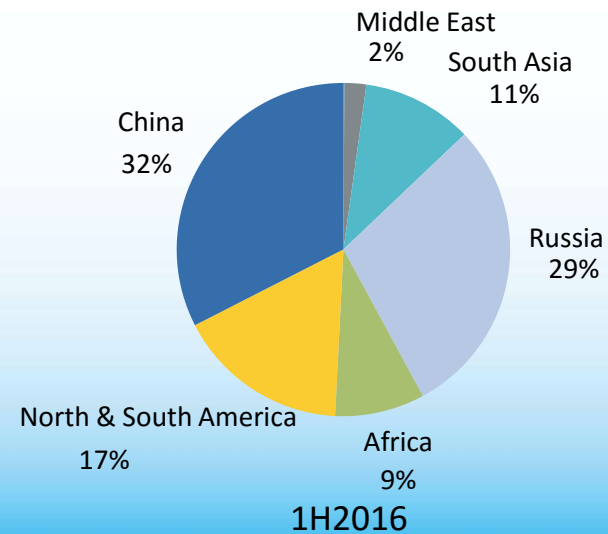
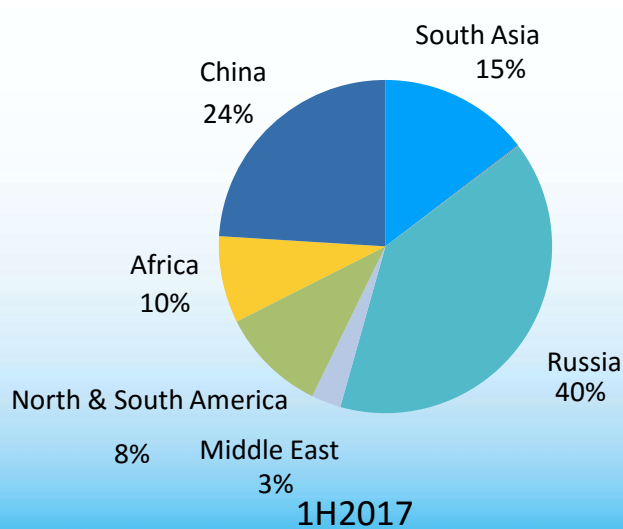


Revenue Breakdown

Revenue Breakdown by Segment

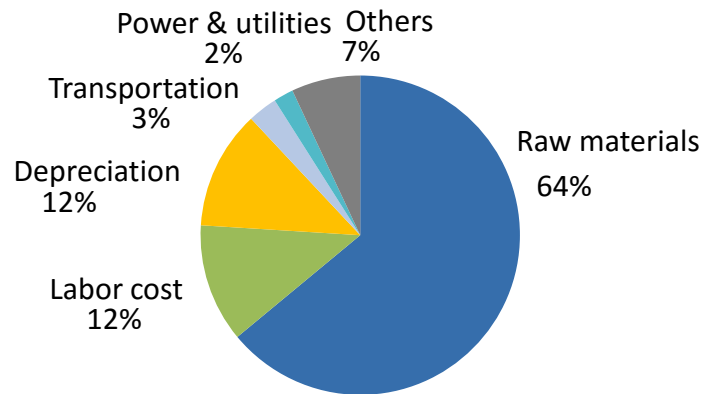


Revenue Breakdown by Geography

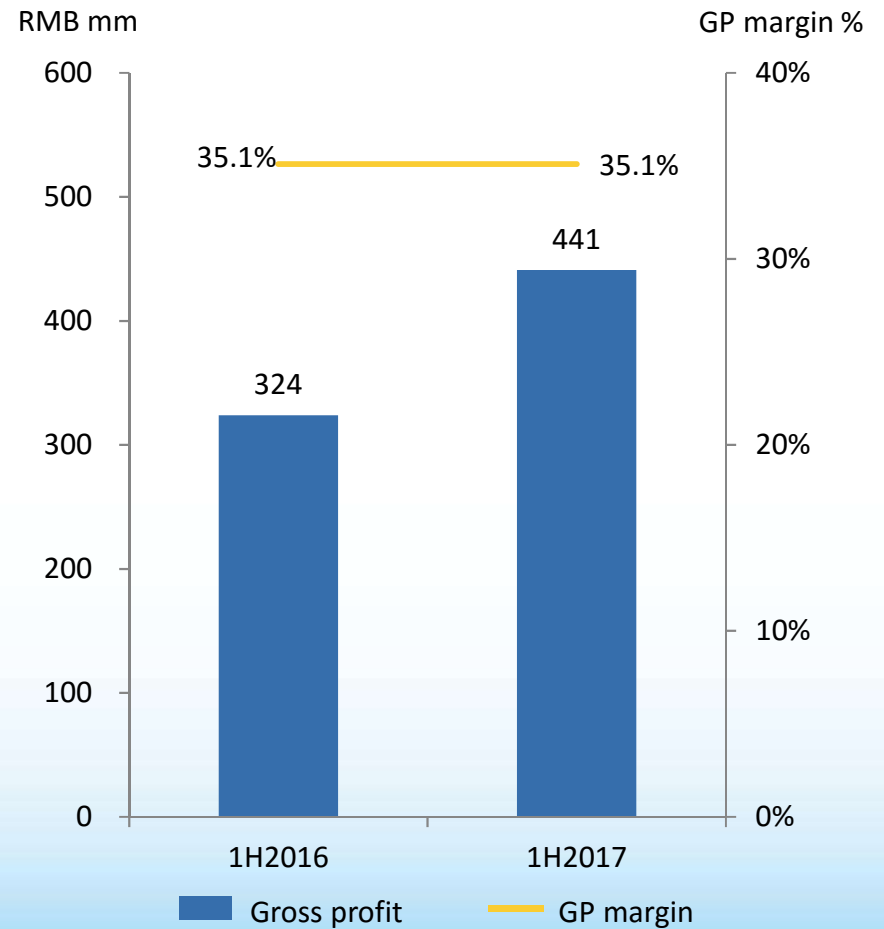


Cost and Gross Profit Analysis

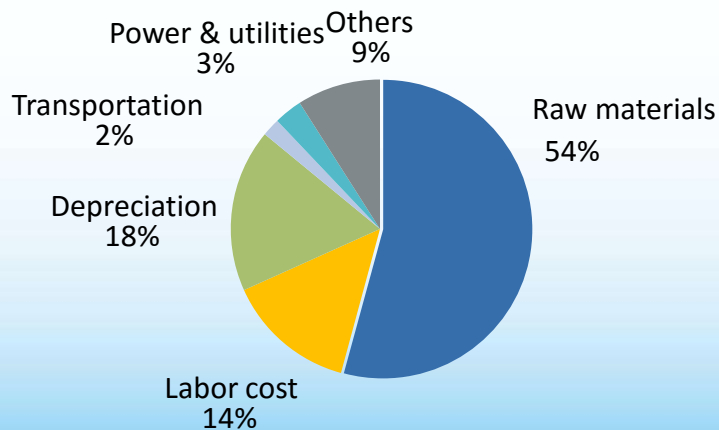
Total Cost in 1H2017: RMB815MM



Gross Profit Margin Stable



Total Cost in 1H2016: RMB598MM

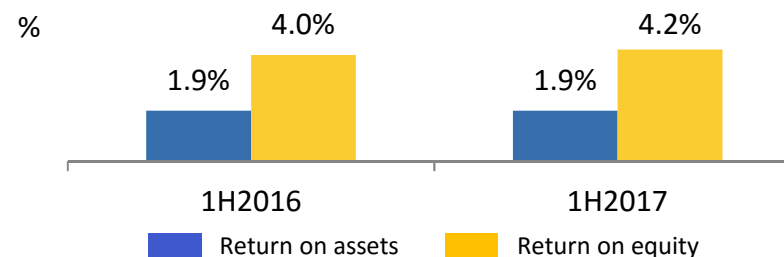


Capital Structure and Return

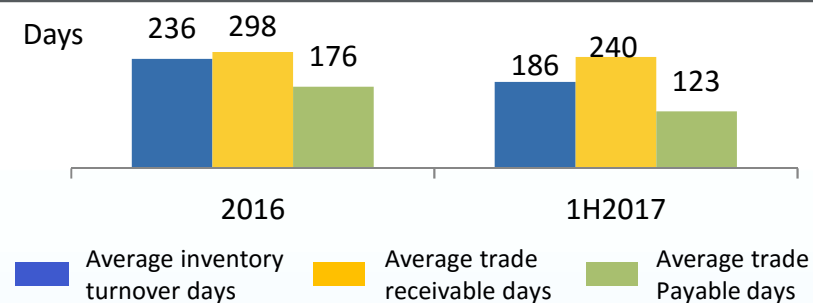
Capital Structure

| | 2016 | 1H2017 |
|-------------------------|-------|--------|
| RMB mm | | |
| Cash & cash equivalents | 657 | 736 |
| Current assets | 3,691 | 4,051 |
| Total assets | 7,298 | 7,589 |
| Short-term debt | 1,431 | 1,021 |
| Long-term debt | 1,317 | 1,884 |
| Total liabilities | 3,806 | 4,095 |
| Shareholders' equity | 3,254 | 3,261 |
| Minority interest | 237 | 233 |
| Total equity | 3,492 | 3,493 |

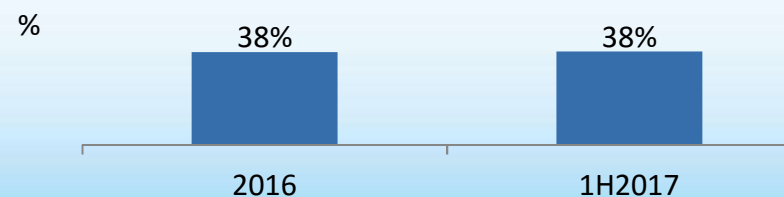
Return on Assets & Return on Equity (1)



Turnover Days for Current Assets (2)



Gearing Ratio: Net Debt/Total Capital (3)

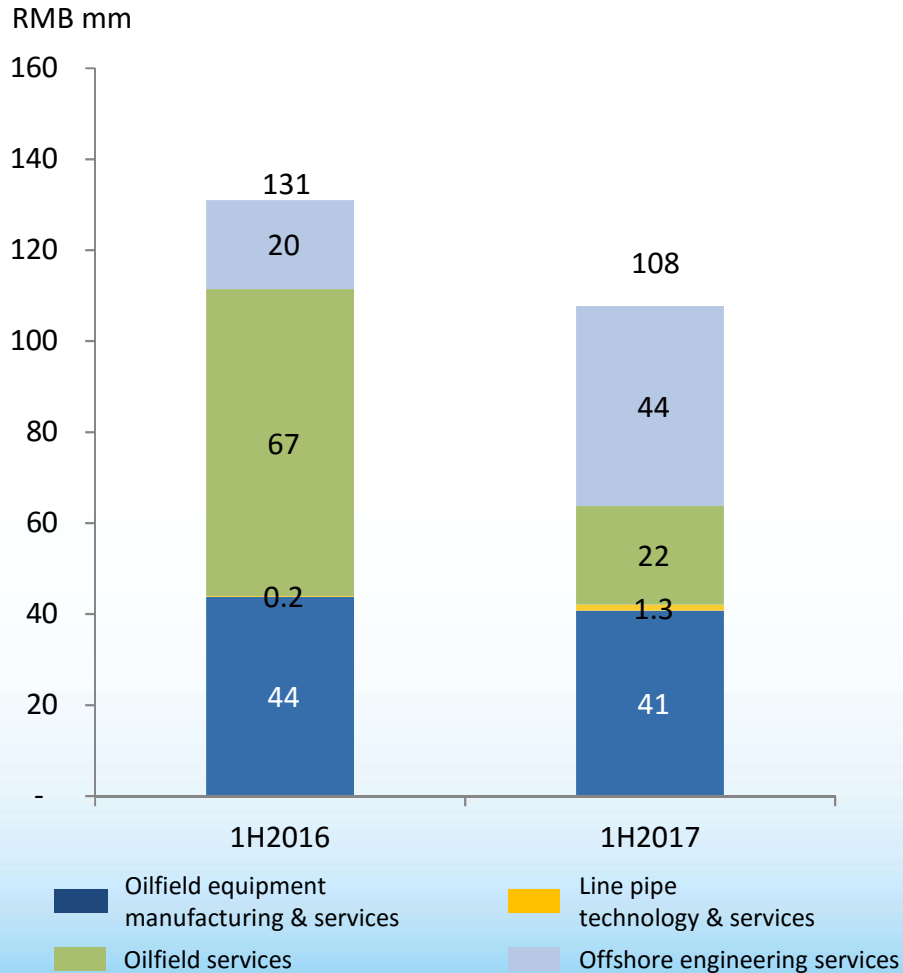


Note:

- 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

Offshore engineering services
Continuous upgrade for Hilong 106

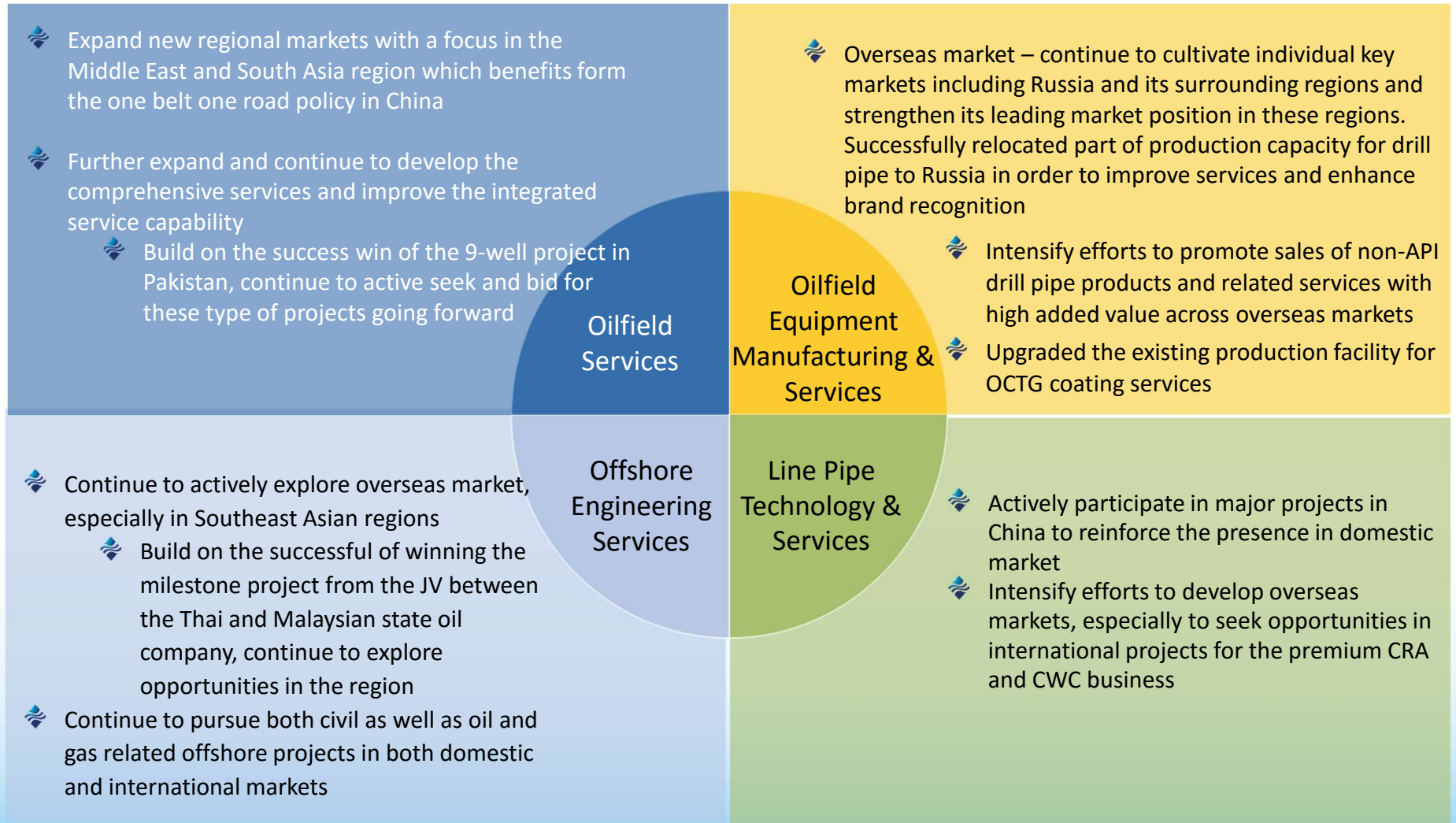
Oilfield services
Normal maintenance of rigs

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

Business Outlook



To Implement New Development Strategies under New Market Conditions



Q & A