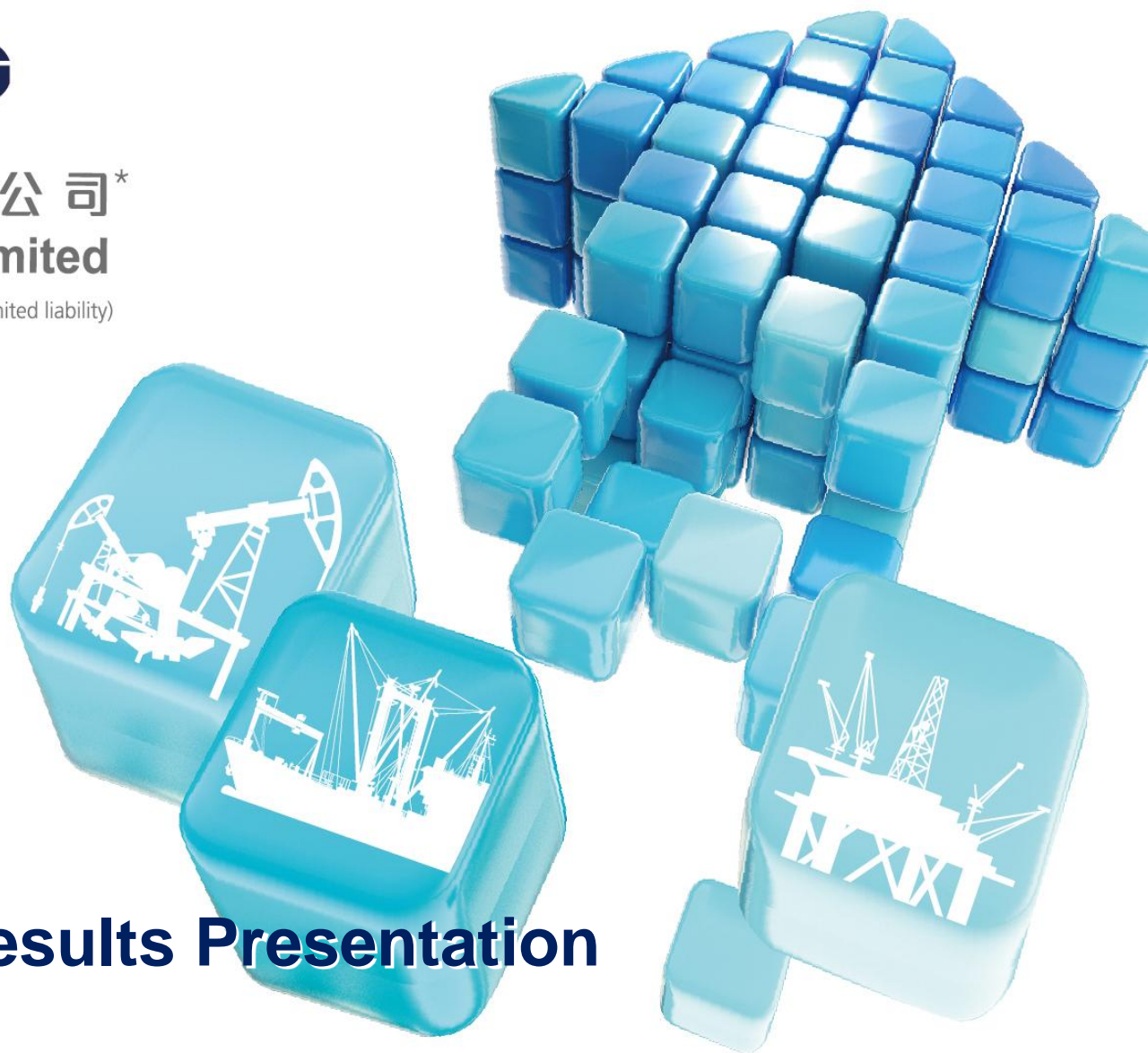




海隆控股有限公司*
Hilong Holding Limited

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

* For identification purpose only



2016 Annual Results Presentation
March 2017

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Results Highlights

Results Highlights

Hilong maintained stable operation despite the tough market environment in 2016



Oilfield services

- ❖ Maintained stable operation for traditional advantageous business of drilling services
- ❖ Maintained stable day rate of existing rig fleet
- ❖ Successfully marched into new regional market - Europe and engaged new customer in tough market conditions
- ❖ Actively developed new business lines and achieved diversified development
- ❖ The integrated services officially kicked off and achieved significant breakthrough



Line pipe technology & services

- ❖ Achieved substantial growth despite 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 and services

- ❖ Drill pipe and related products business achieved notable growth in weak market conditions
- ❖ Expanded quickly in overseas market
- ❖ Maintained a strong market presence in China
- ❖ OCTG coating services maintained a stable market position; proactively promoted the application of new products and expanded service scope and revenue sources



Offshore engineering services

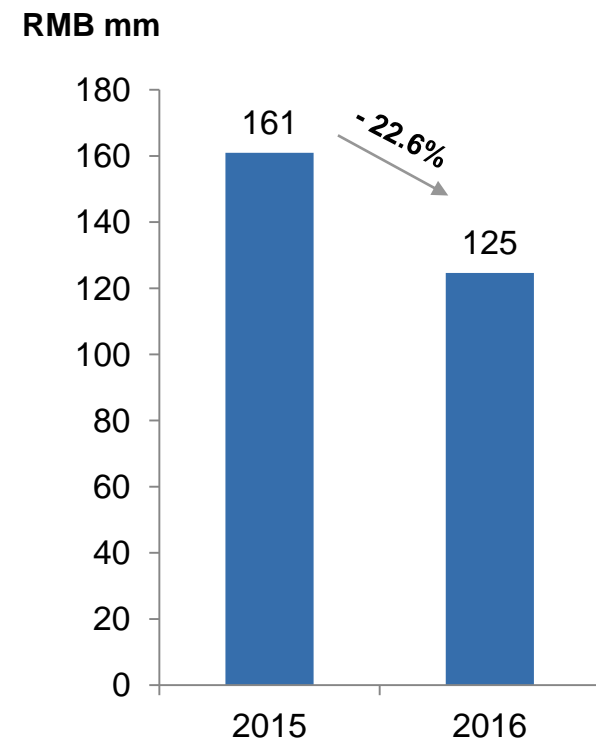
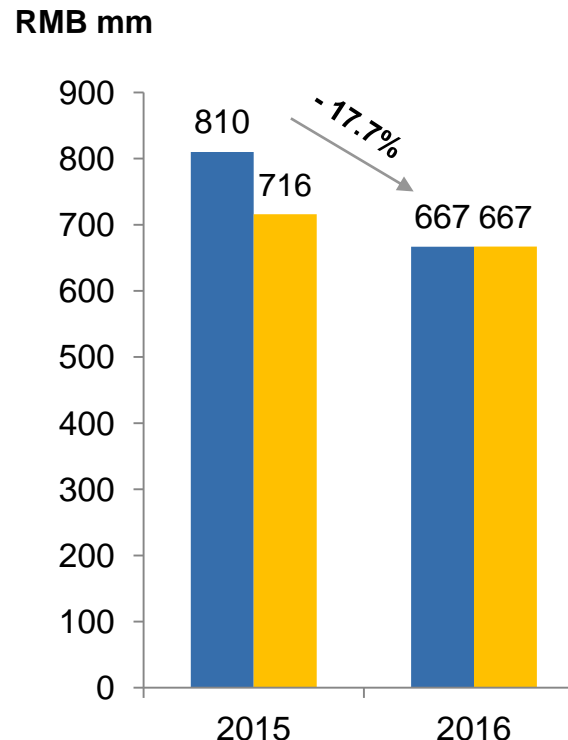
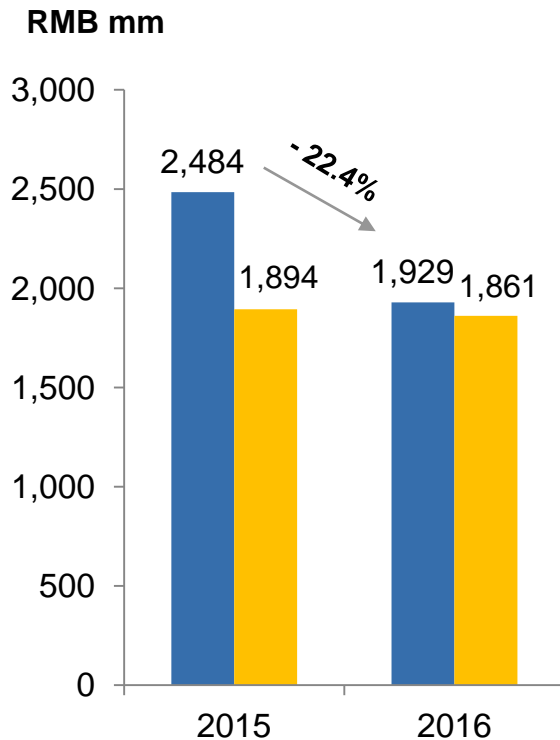
- ❖ Successfully won first offshore pipelaying and derrick operations contract from foreign market
- ❖ Obtained the contract of CNPC Offshore Engineering Company Zhoushan Phase III Project
- ❖ The design service team successfully won a part of the subcontracting design business for CPOE Oceanic Administration's project at North Sea and CPOE Zhoushan water pump installation and design contract

Financial Overview

Revenue

Gross Profit

Net Profit to Equity Owners



■ Total Revenue
 ■ Revenue excluding Offshore engineering services

■ Total Gross Profit
 ■ Gross Profit excluding Offshore engineering services

2016 revenue amounted to RMB1,929 million, indicating a decline of 22.4% compared to 2015; revenue excluding offshore engineering services amounted to RMB1,861 million, indicating a decline of 1.7% compared to 2015
 Recorded net profit attributable to equity owners of the Company of RMB125 million, a year-on-year decline of 22.6%

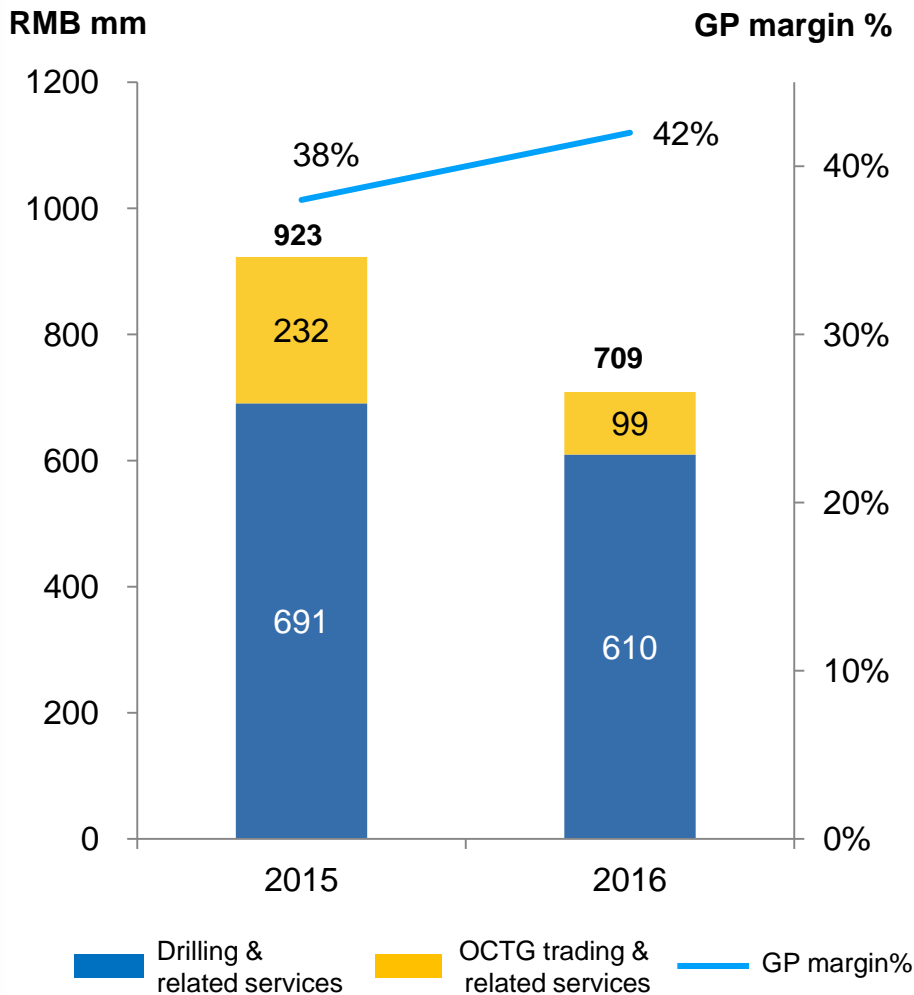
Business Review

Oilfield Services



Segment Revenue: -23%

Maintained stable operation of drilling services and accelerated 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 a new European premium market
 - ❖ Won drilling service contracts from Shell Oil Company in Albania Region
 - ❖ Relocated existing rigs from Ecuador to Pakistan in second quarter
 - ❖ Won the tender of the Geo-jade Petroleum's project in Kazakhstan, undertaking the turnkey drilling service

Made notable progress for business diversification

- ❖ Further promoted the transformation towards an integrated oilfield services provider. Current projects include the provision of integrated technical services including drilling fluid, completion fluid, directional drilling and horizontal drilling for United Energy in Pakistan, as well as well as providing well completion technical services, such as oil and gas testing for Poly-GCL in Ethiopia

Oilfield Equipment Manufacturing & Services

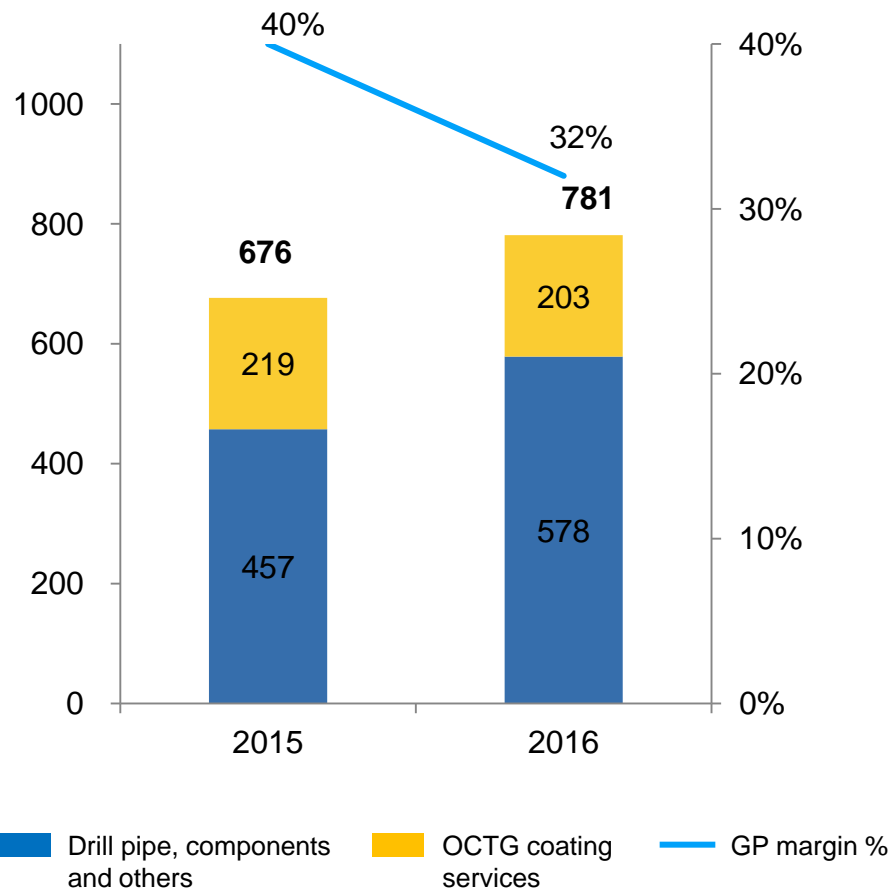


Segment Revenue: +16%

Achieved notable growth in weak market

RMB mm

GP margin %



Drill pipe and related products

- ❖ Maintained a strong market position in China and a relatively stable market share
- ❖ Successfully relocated part of the production facility to Russia with increased market share in Russia, and signed an order for a large quantity of drill pipes and related products with Rosneft in Nov 2016
- ❖ Continuously develop and promote non-API drill pipe products such as hydrogen sulfide-resistant drill pipes and electronic signage drill pipes

OCTG coating services

- ❖ The declined oil price in the first three quarters lead to the decline of demands in North American and Chinese markets
- ❖ With increase of oil prices in the fourth quarter, several large orders have been secured in Russia, showing signs of recovery
- ❖ Achieved major breakthrough in the Middle-East market, with liquid and powder coating verified by the Petroleum Development Oman
- ❖ 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

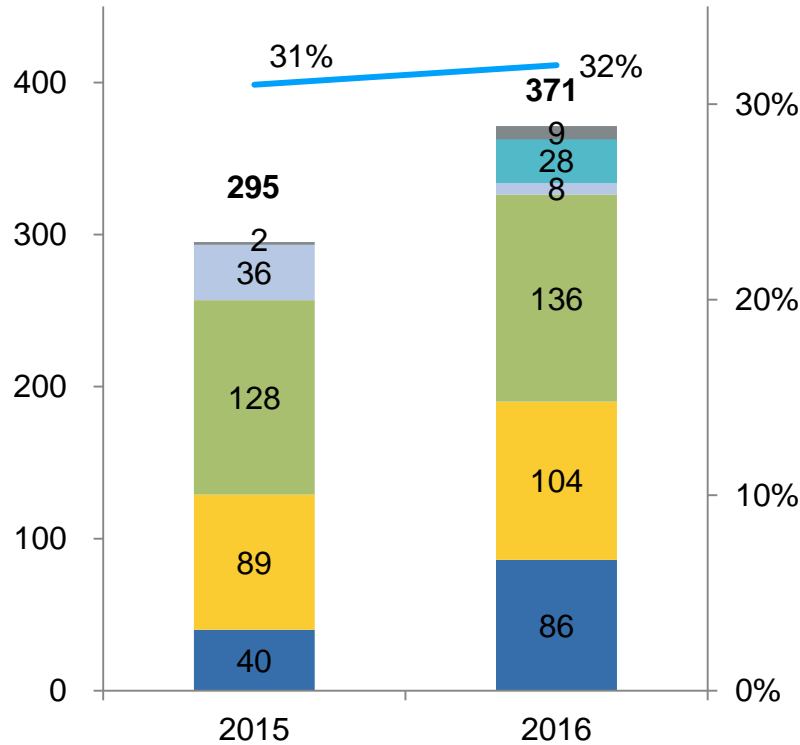
Line Pipe Technology and Services

Segment Revenue: +26%

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

RMB mm

GP margin %



■ OCTG coating materials
 ■ Line pipe coating materials
 ■ Line pipe coating services
■ CRA
 ■ CWC
 ■ Line pipe inspection
— GP margin %

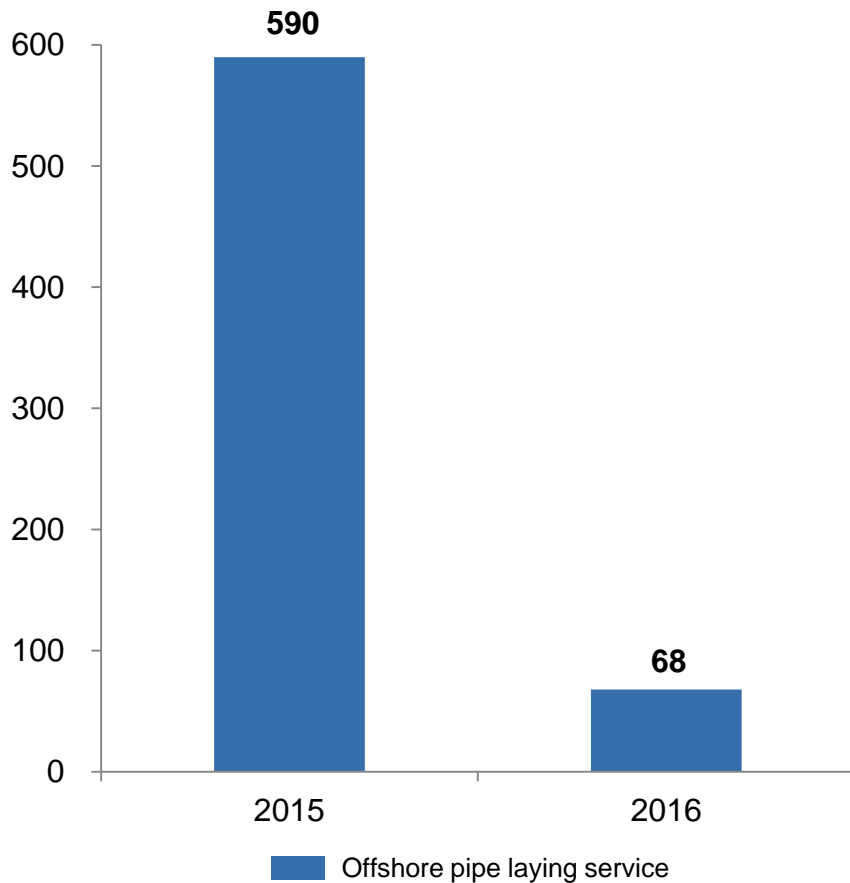
- ❖ Realized substantial growth amid the tough market
- ❖ Coordinated development of domestic and international business and won several orders
 - ❖ LNG project in Pakistan
 - ❖ The allocation of petro-chemical project and coating business in Maoming for Sinopec Petroleum Engineering Company
 - ❖ High Sealed & Coupled Seamless Steel Pipe Company Limited coating business in Algeria
 - ❖ The contract of irregular bend tubes for KOC Company in Kuwait
- ❖ Developed various business lines to improve the overall segmental profitability and established steady development momentum for new businesses
 - ❖ The internal inspection project for the gas pipe in Ake Kashgar for Tarim Oilfield Southwest Exploration and Development Company
 - ❖ Pipeline inspection services for external inspection project of Shanghai Network Pipeline Limited
 - ❖ Inspection for drilling tools and wear-resistant tape welding business provided at Albania Shell Oil brand project

Offshore Engineering Services

2016 Revenue of RMB68 MM

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

RMB mm

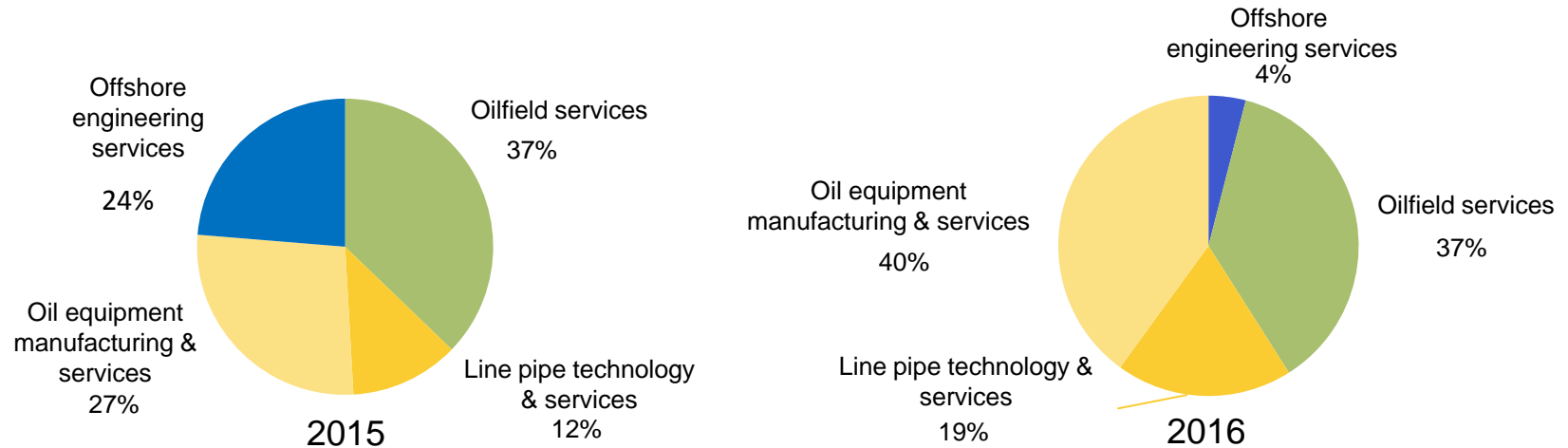


- ❖ Successfully finished two major EPCI service contracts for CNOOC and built a solid track record
- ❖ Successfully won the contract from TIMAS, providing “Hilong 106”, the offshore pipe-laying and derrick vessel, undertook works such as offshore pipeline laying, conduit rack, and hoisting of the upper module for an offshore gas field development project for an oilfield in Southeast Asia
- ❖ Obtained the contract CNPC Offshore Engineering Company Zhoushan Phase III Project
- ❖ The design service team successfully won a part of the subcontracting design business for CPOE Oceanic Administration’s project at North Sea and CPOE Zhoushan water pump installation and design contract
- ❖ 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

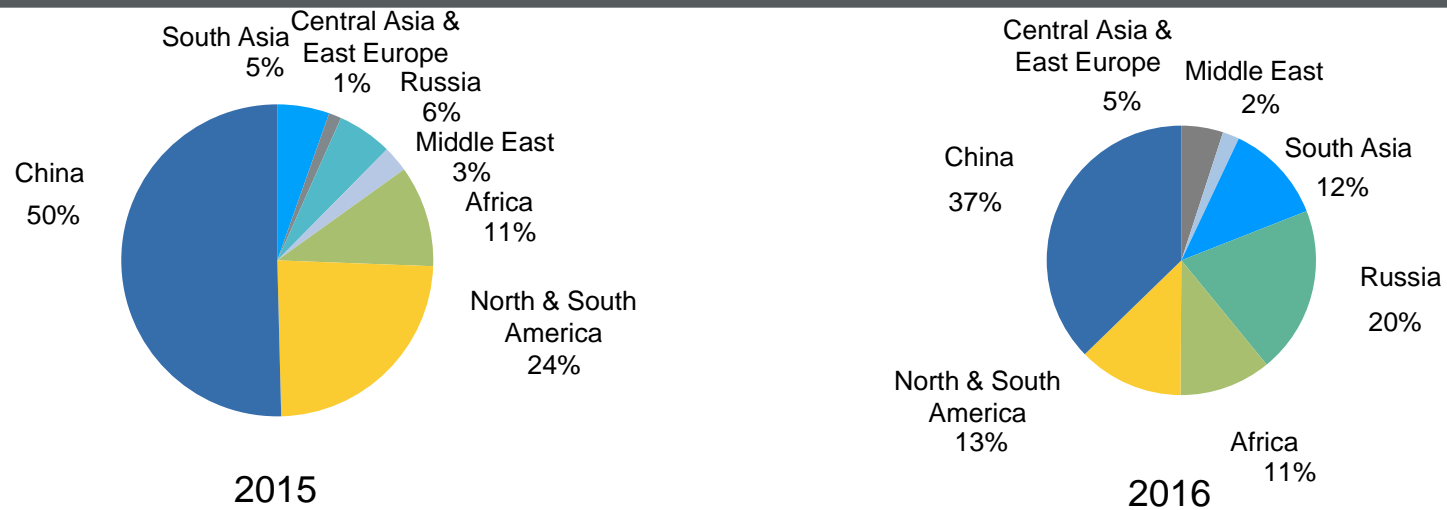
Financial Performance

Revenue Breakdown

Revenue Breakdown by Segment

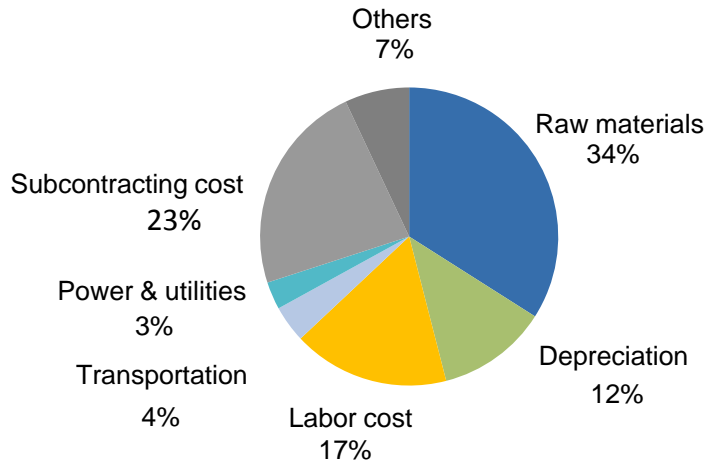


Revenue Breakdown by Geography

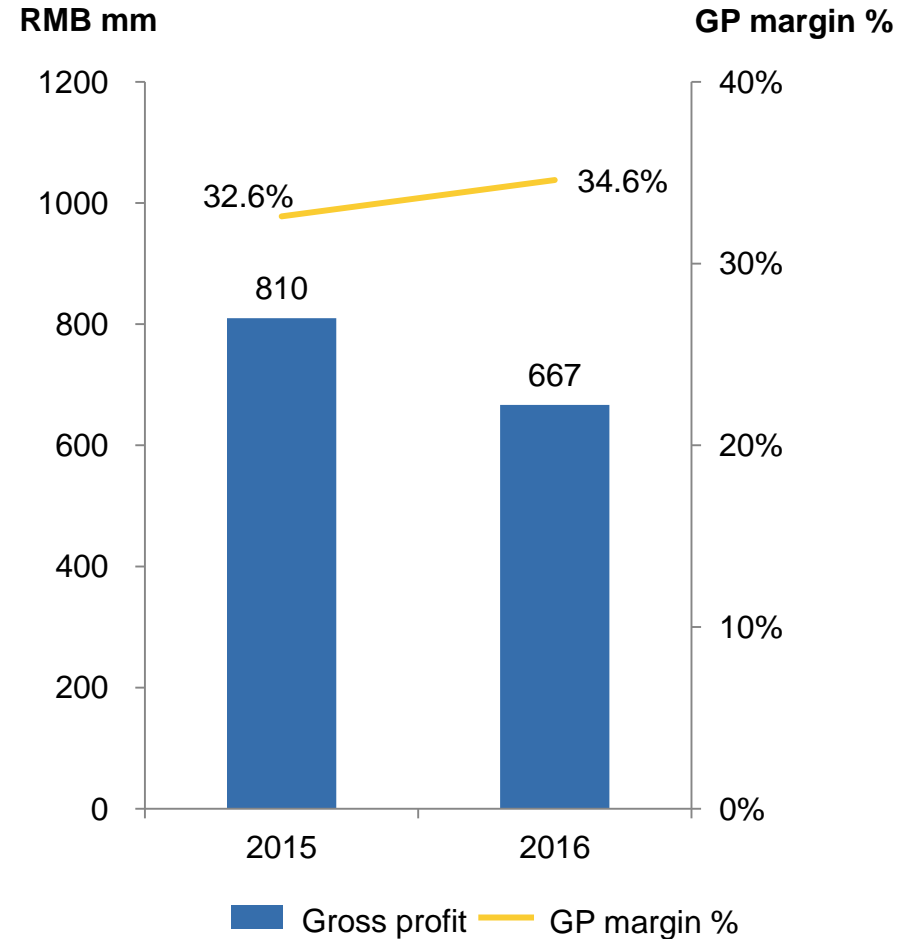


Cost and Gross Profit Analysis

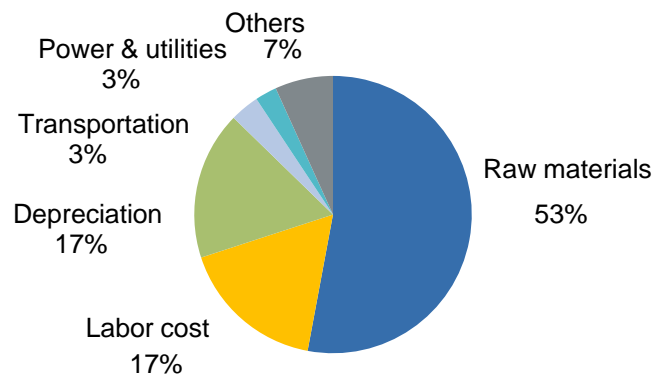
Total Cost in 2015: 1.67B



Gross Profit Margin Increased



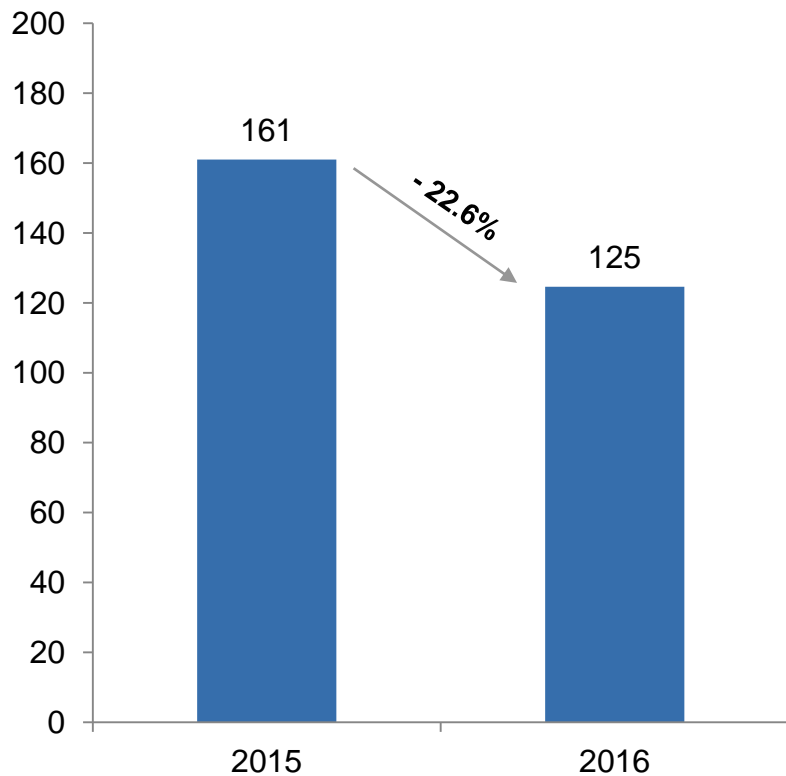
Total Cost in 2016: 1.26B



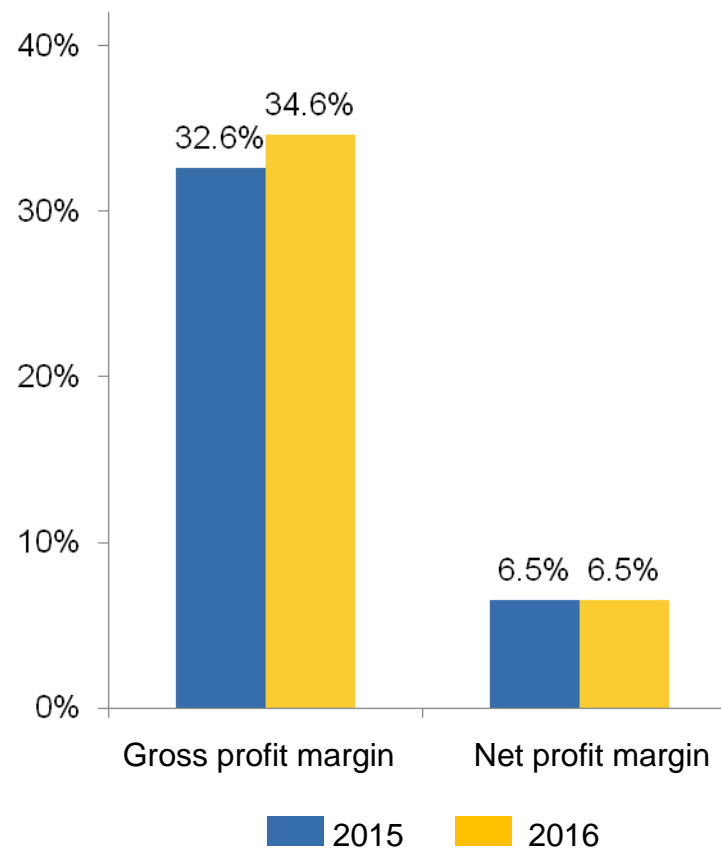
Profitability

A Year-on-Year Decline of Net Profit

RMB mm



Profitability maintained stable



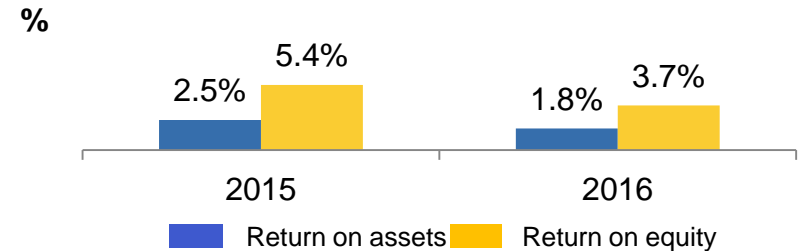
Capital Structure and Return

Capital Structure

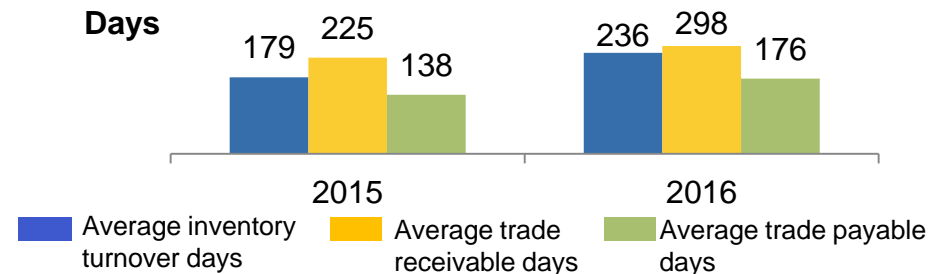
	2015	2016
RMB mm		
Operating cash flow	485	139
Cash & cash equivalents	821	657
Current assets	3,588	3,691
Total assets	7,064	7,298
Short-term debt	1,592	1,431
Long-term debt	1,084	1,317
Total liabilities	3,808	3,806
Shareholders' equity	3,022	3,254
Minority interest	234	237
Total equity	3,256	3,492

- 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

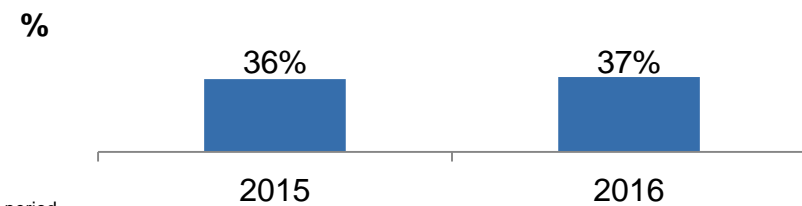
Return on Assets & Return on Equity ⁽¹⁾



Turnover Days for Current Assets ⁽²⁾



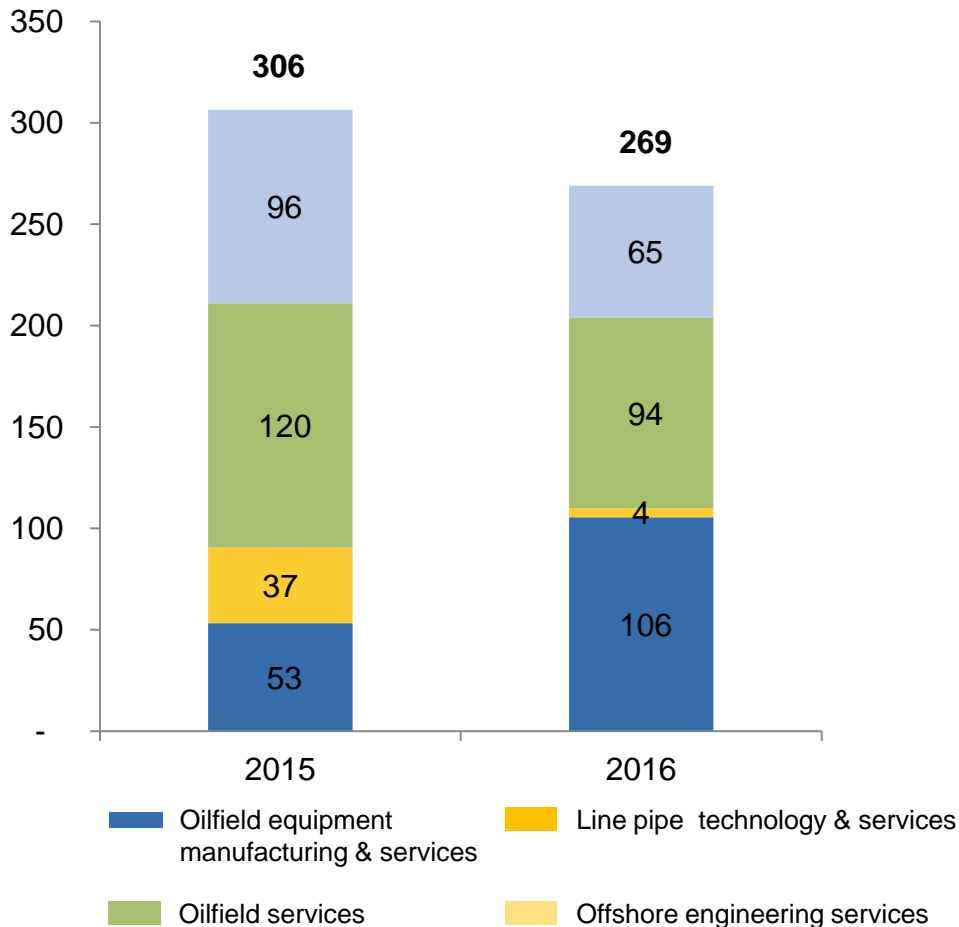
Gearing Ratio: Net Debt/Total Capital ⁽³⁾



Capital Expenditure

Capital Expenditure Breakdown

RMB mm



Major Capital Expenditure Projects

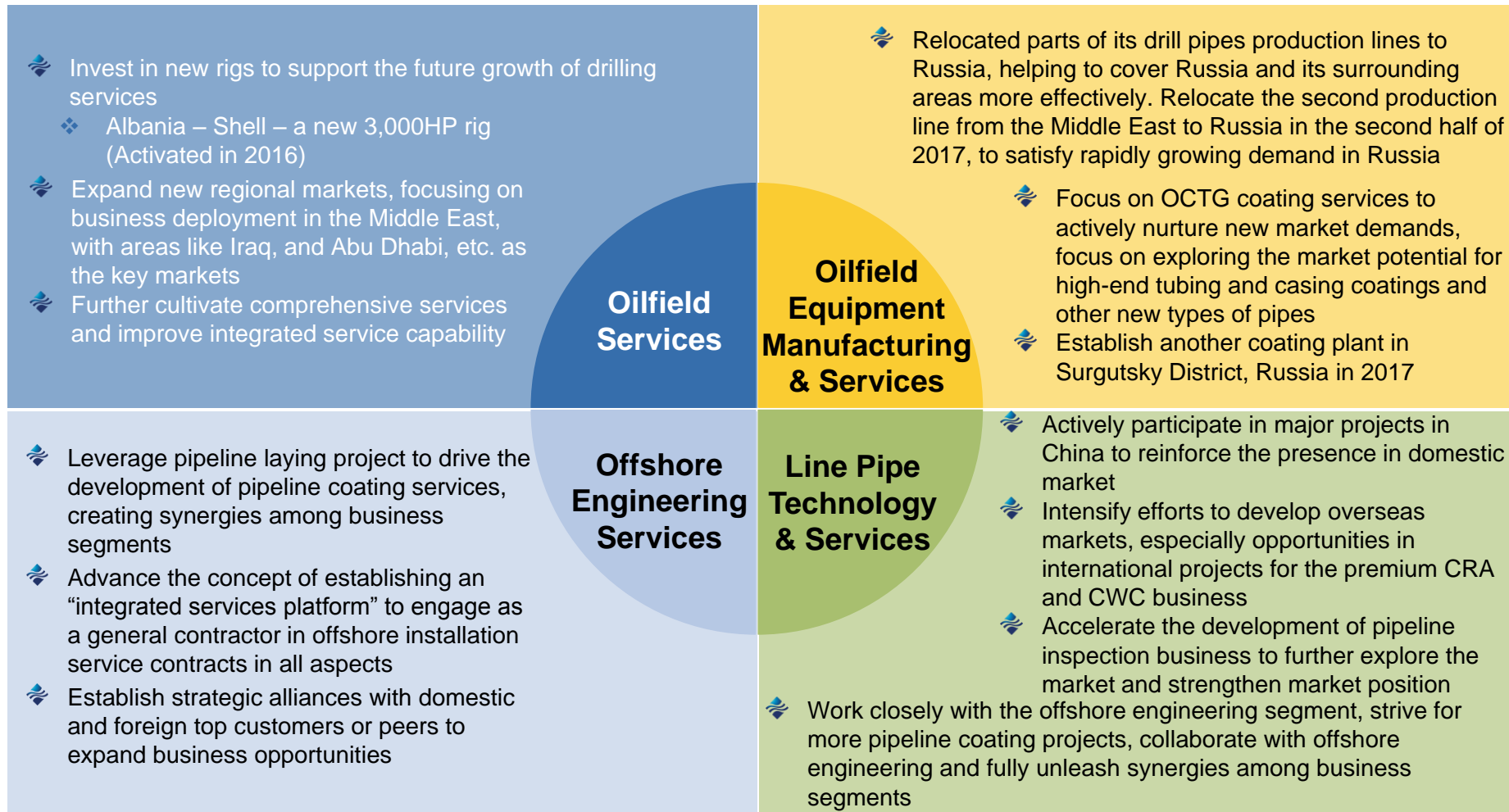
Offshore engineering services
Continuous upgrade for Hilong 106

Oilfield services
Procurement of rig components

Oilfield equipment manufacturing & services
Routine maintenance, relocation of production lines in Russia and the conversion of inventory to fixed assets for rental purpose in Canada

Business Outlook

To Implement New Development Strategies under Changing Market Conditions



Q & A