



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 Interim Results Presentation

August 2016

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Results Highlights

Results Highlights

Hilong maintained stable operation despite the tough market environment in 1H2016



Oilfield services

- ❖ Maintained healthy 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
- ❖ Achieved diversified development
- ❖ The integrated services officially kicked off in 1H2016



Oilfield equipment manufacturing & 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



Line pipe technology & services

- ❖ Achieved substantial growth in spite of harsh market conditions
- ❖ Won several contracts in both China and overseas markets
- ❖ The sales of new coating materials for vessels grew dramatically
- ❖ Actively promoted the diversification and high-end development of line pipe technology & services

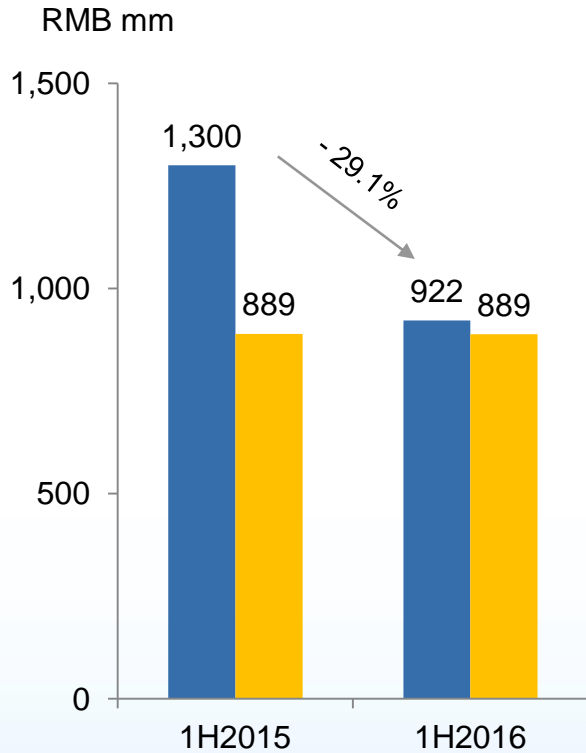


Offshore engineering services

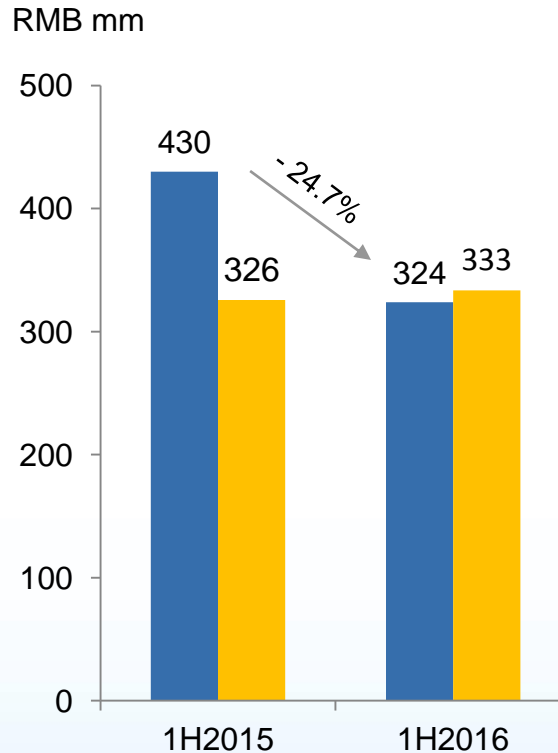
- ❖ Successfully won first offshore lifting operations contract from foreign market
- ❖ Obtained the contract CNPC Offshore Engineering Company Zhoushan Phase III Project
- ❖ The design service team successfully won a part of the subcontracting design business for CPOE Oceanic Administration's project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

Financial Overview

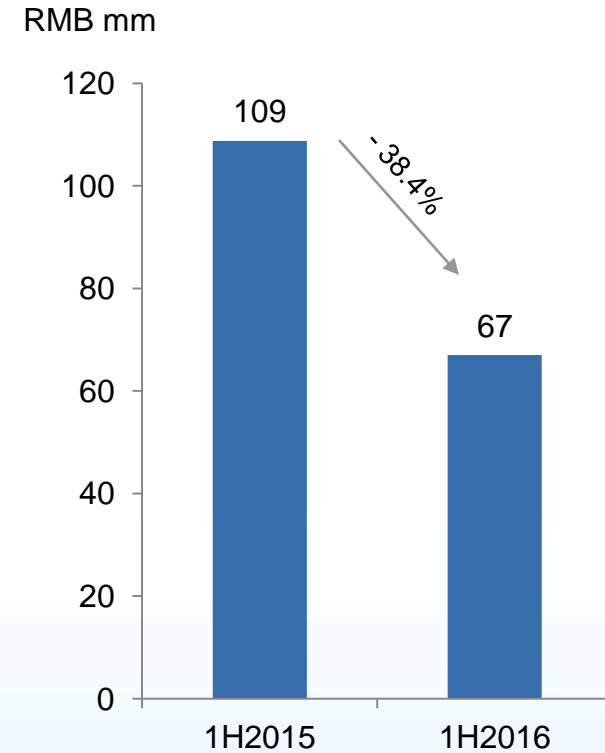
Revenue



Gross Profit



Net Profit to Equity Owners



■ Total Revenue ■ Revenue excluding Offshore engineering services

■ Total Gross Profit ■ Gross Profit excluding Offshore engineering services

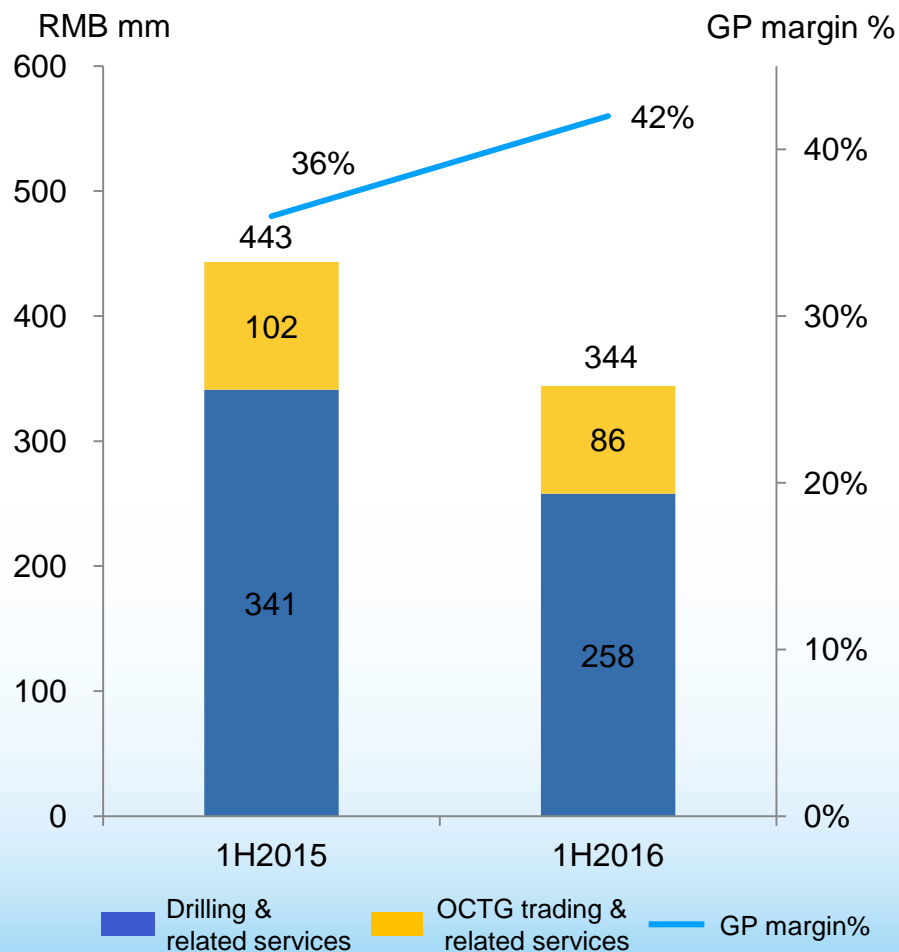
- 1H2016 revenue amounted to RMB922million, indicating a decline of 29.1% over 1H2015; revenue excluding offshore engineering services amounted to RMB889 million, almost flat compared to 1H2015
- Recorded net profit attributable to equity owners of the Company of RMB67 million, a year-on-year decline of 38.4%

Business Review

Oilfield Services

Segment Revenue: -22%

Maintained Stable Operation 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 a new European premium market
 - ❖ Won drilling service contracts from Shell Oil Company in Albania
 - ❖ Relocated existing rigs from Ecuador to Pakistan in second quarter
 - ❖ Proactively explored the potential market in Middle East region

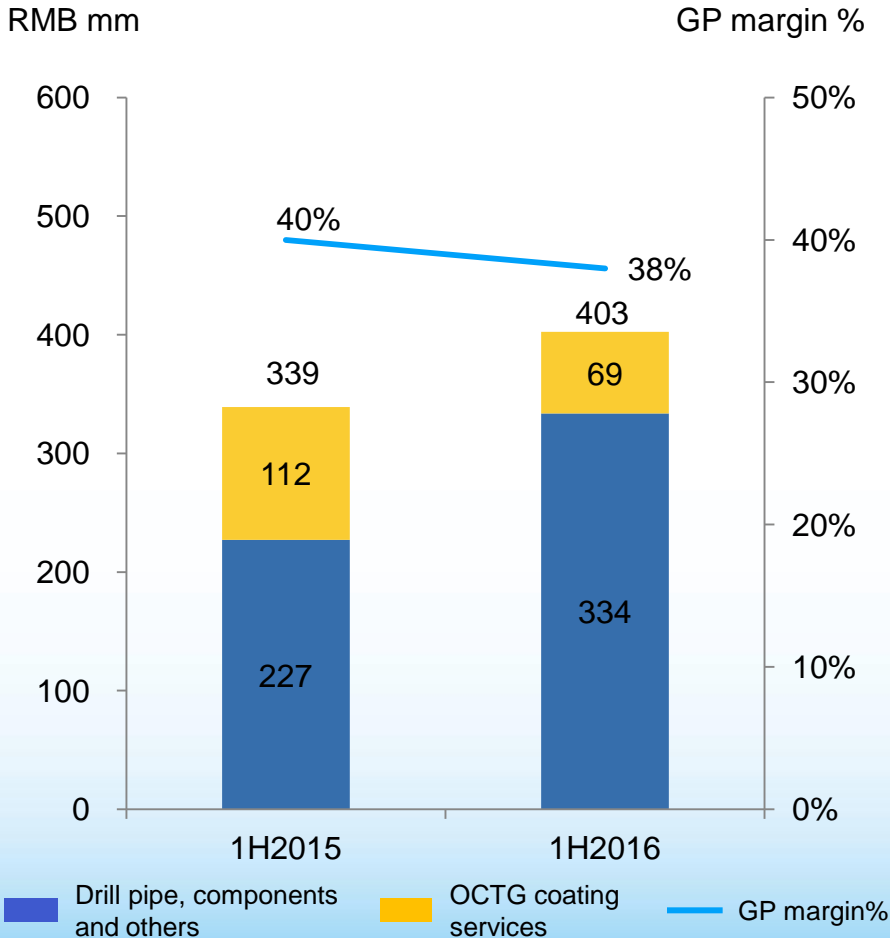
Made notable progress for business diversification

- ❖ Further promoted the transformation towards an integrated oilfield services provider. Current projects including offering fluid and rotary geological steering for United Energy in Pakistan as well as providing well completion technical services, such as oil and gas testing for Poly-GCL in Ethiopia

Oilfield Equipment Manufacturing and Services

Segment Revenue: +19%

Achieved notable growth in weak market



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, increased market share in Russia
- ❖ Continuously develop and promote premium products such as radio frequency identification and super high strength drill pipe

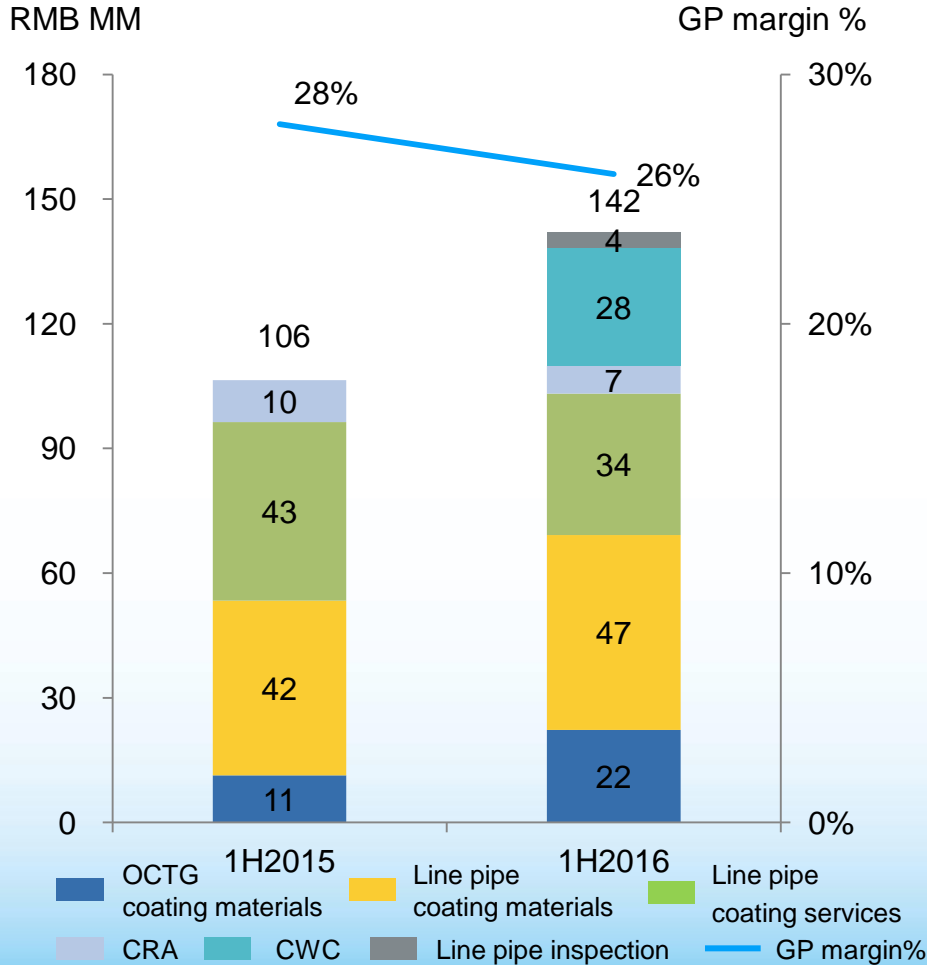
OCTG coating services

- ❖ The declined oil price lead to the decline of demands in North American and Chinese markets
- ❖ 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: + 33%

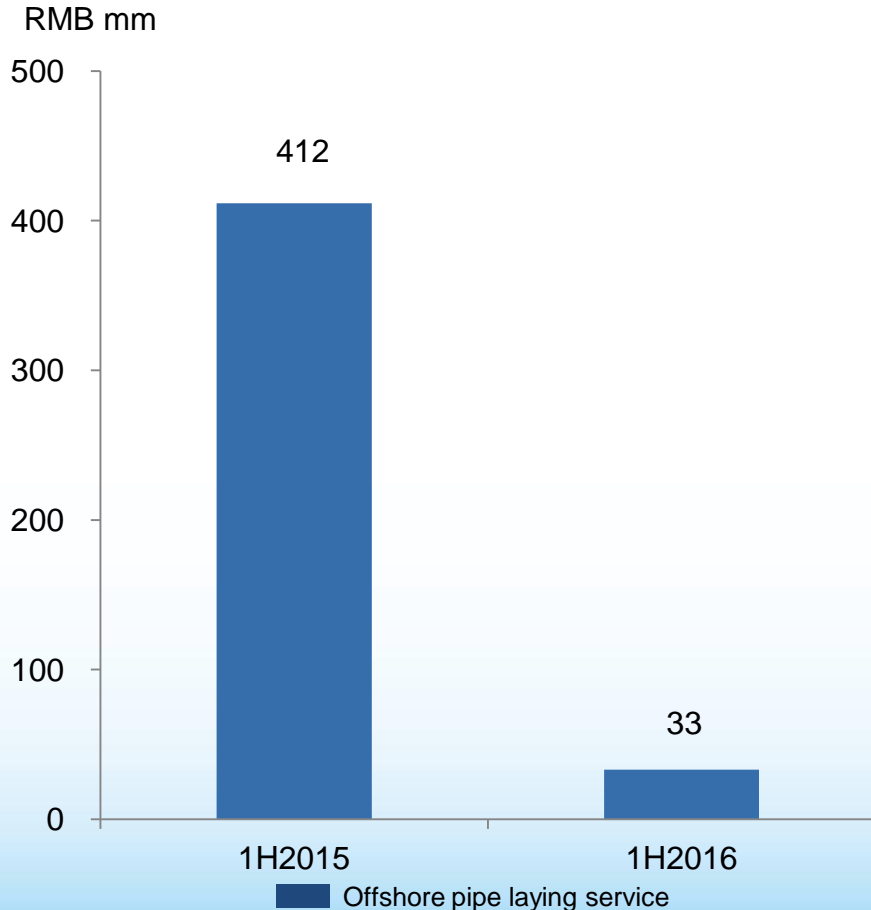
Implemented the Strategy of Diversification, High-end Orientation and Internationalization



- ❖ Realized substantial growth amid the tough market
- ❖ Coordinated development of domestic and international business and won several orders
 - ❖ LNG project in Pakistan
 - ❖ The allocation of petro-chemical project and coating business in Maoming for Sinopec Petroleum Engineering Company
- ❖ Developed various business lines to improve the overall segmental profitability and established steady development momentum for new businesses
 - ❖ Successfully proceeded inspection services for CNPC's Shan-Jing III Project
 - ❖ Pipeline inspection for Datang Coal-to-Gas Project
 - ❖ Pipeline inspection services for external inspection project of Shanghai Network Pipeline Limited
- ❖ The sales of new coating materials for vessels recorded substantial growth as compared to that of 1H2015
- ❖ Set foundation for promoting the diversification and high-end development of the segment

Offshore Engineering Services

1H2016 Revenue of RMB33 MM



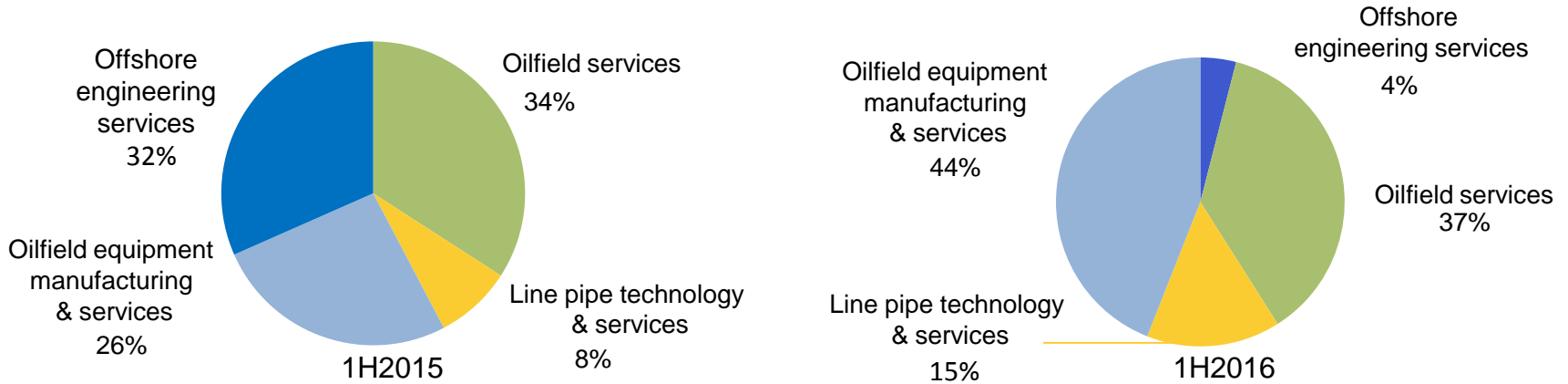
Vigorously promoted the new segment and won several orders despite tough market conditions

- ❖ Successfully finished two major EPCI service contracts for CNOOC and built a solid track record
- ❖ Successfully won the contract from TIMAS, will offer 'Hilong 106' to undertake the installation of conduit rack for a certain oilfield's offshore gas field development project 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
- ❖ 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

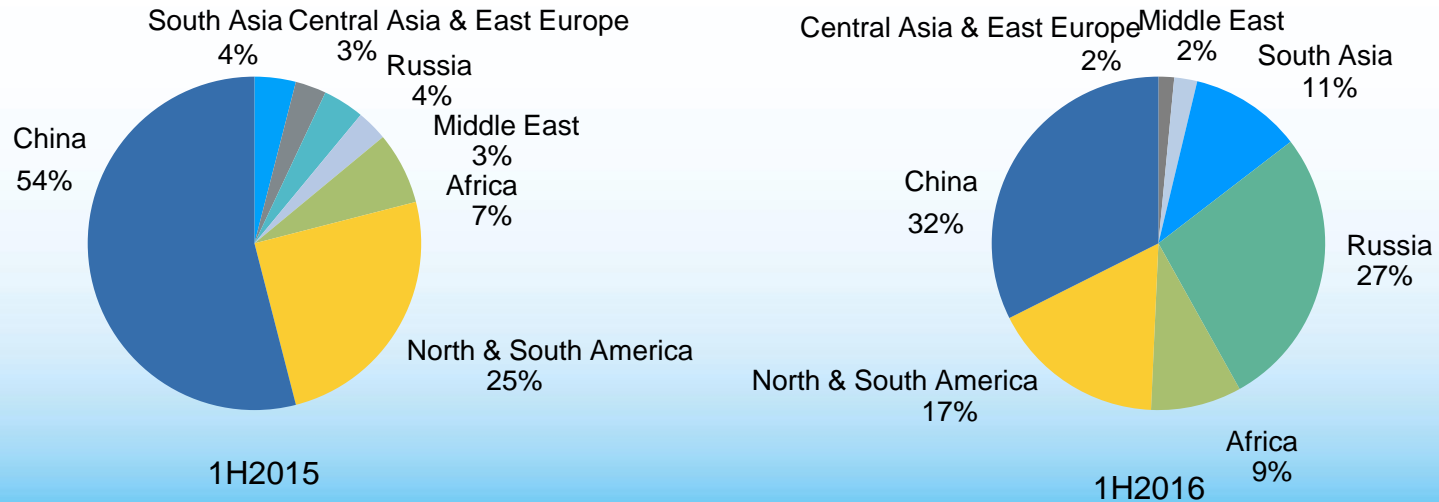
Financial Performance

Revenue Breakdown

Revenue Breakdown by Segment



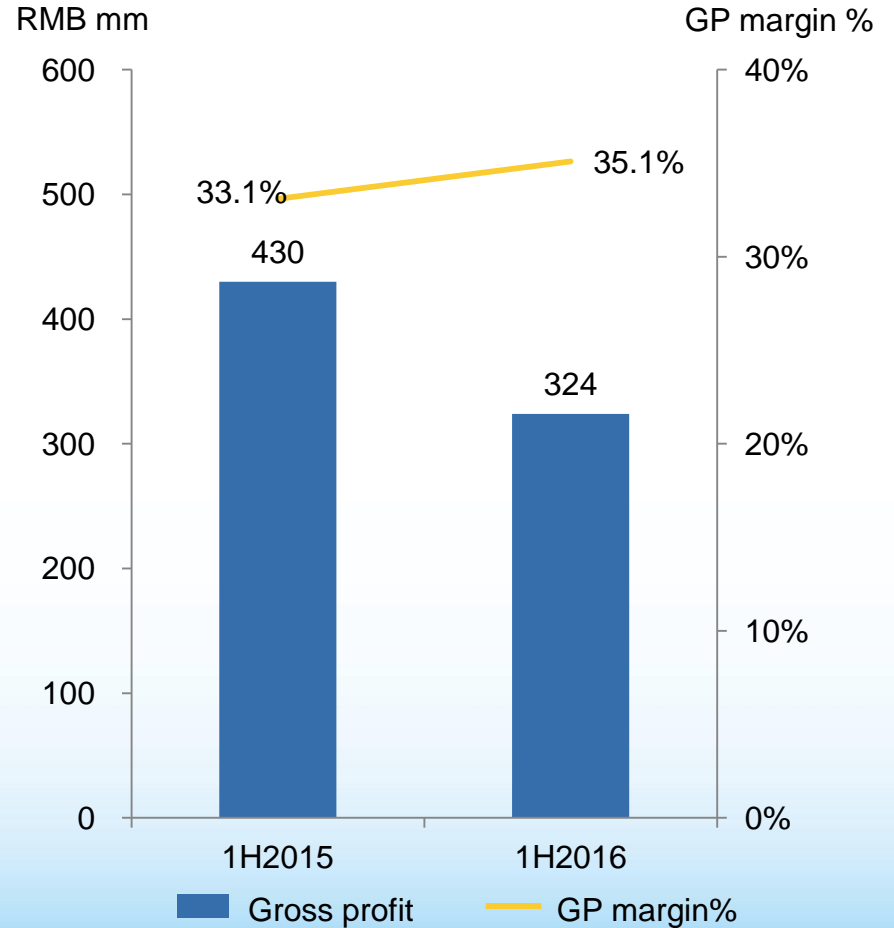
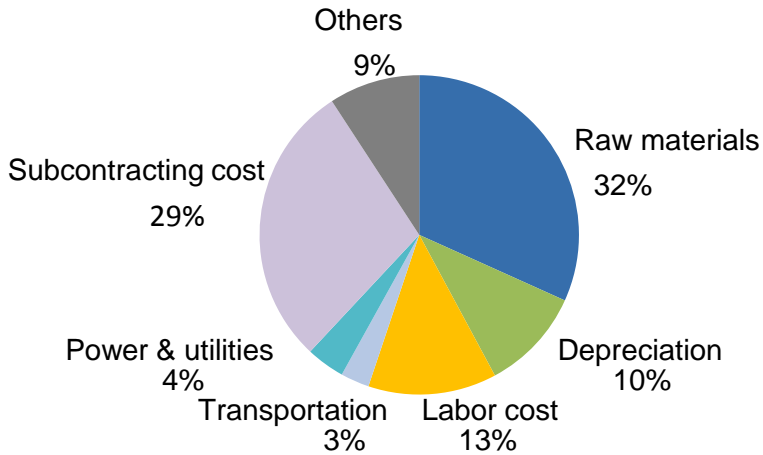
Revenue Breakdown by Geography



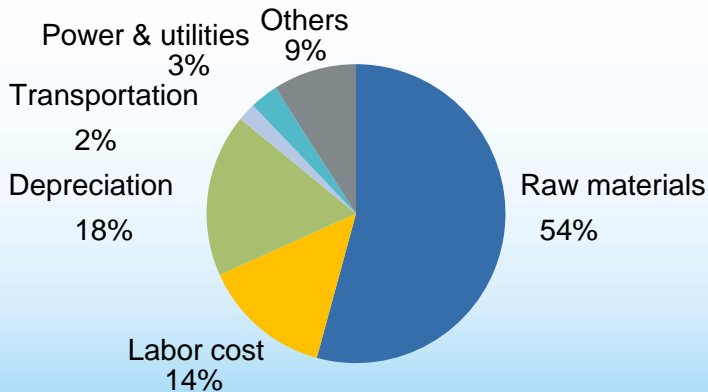
Cost and Gross Profit Analysis

Total Cost in 1H2015: RMB871MM

Gross Profit Margin Increased



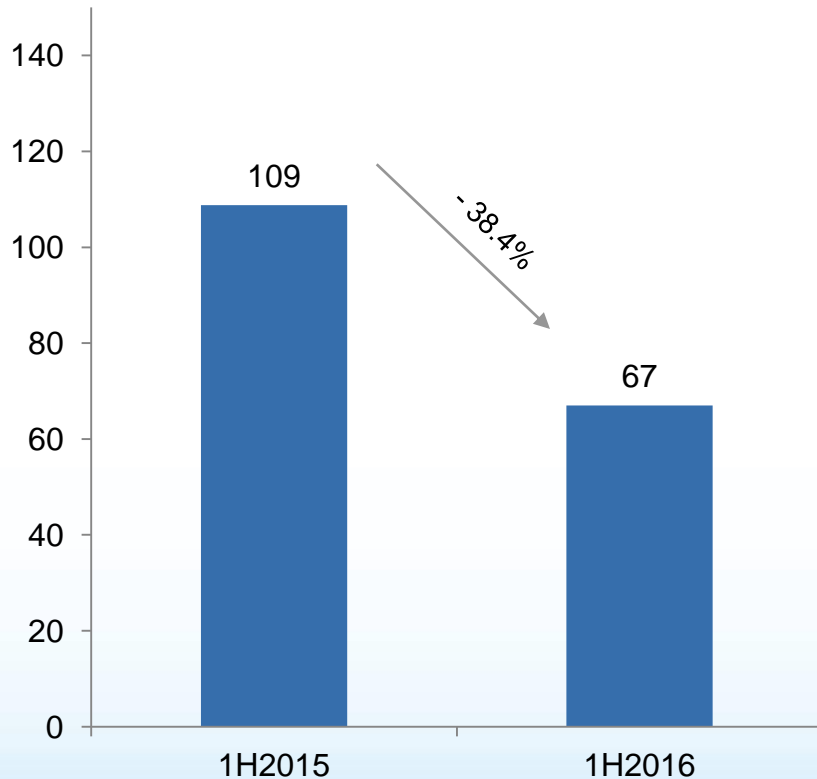
Total Cost in 1H2016: RMB598MM



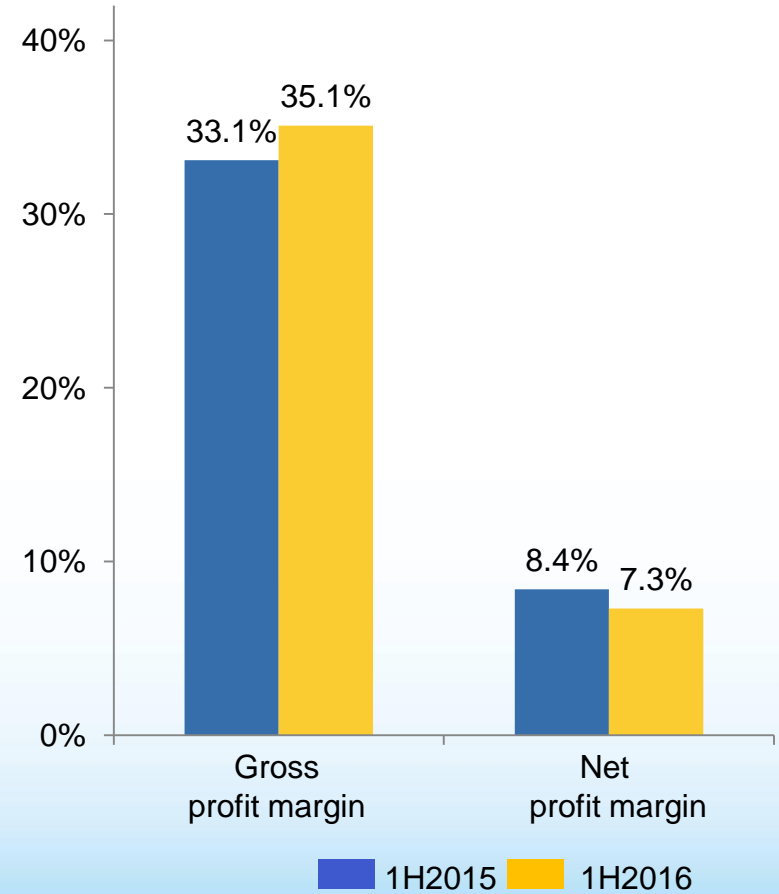
Profitability

A Year-on-Year Decline of Net Profit

RMB mm



Profitability under Pressure

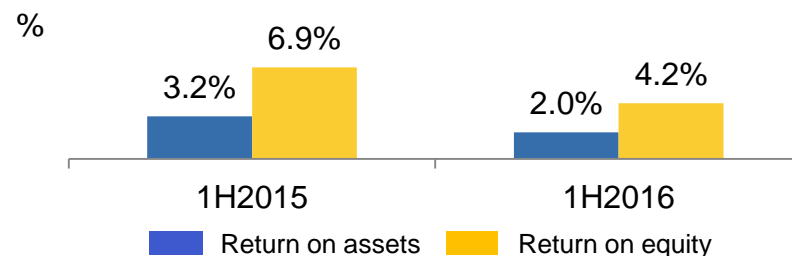


Capital Structure and Return

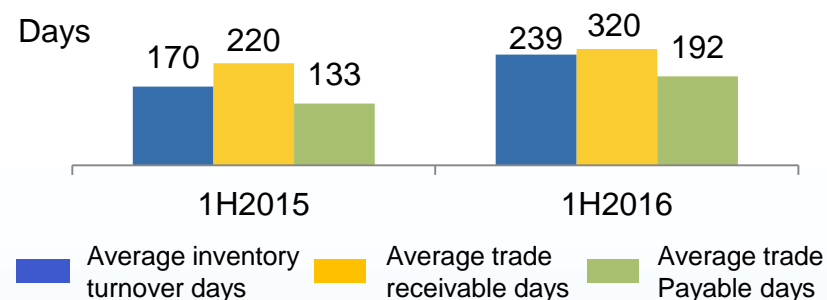
Capital Structure

	2015	1H2016
RMB mm		
Operating cash flow	485	(100)
Cash & cash equivalents	821	474
Current assets	3,588	3,373
Total assets	7,064	6,951
Short-term debt	1,592	1,104
Long-term debt	1,084	1,540
Total liabilities	3,808	3,607
Shareholders' equity	3,022	3,107
Minority interest	234	237
Total equity	3,256	3,344

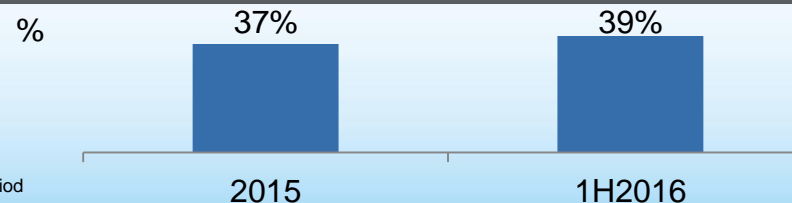
Return on Assets & Return on Equity ⁽¹⁾



Turnover Days for Current Assets ⁽²⁾



Gearing Ratio: Net Debt/Total Capital ⁽³⁾

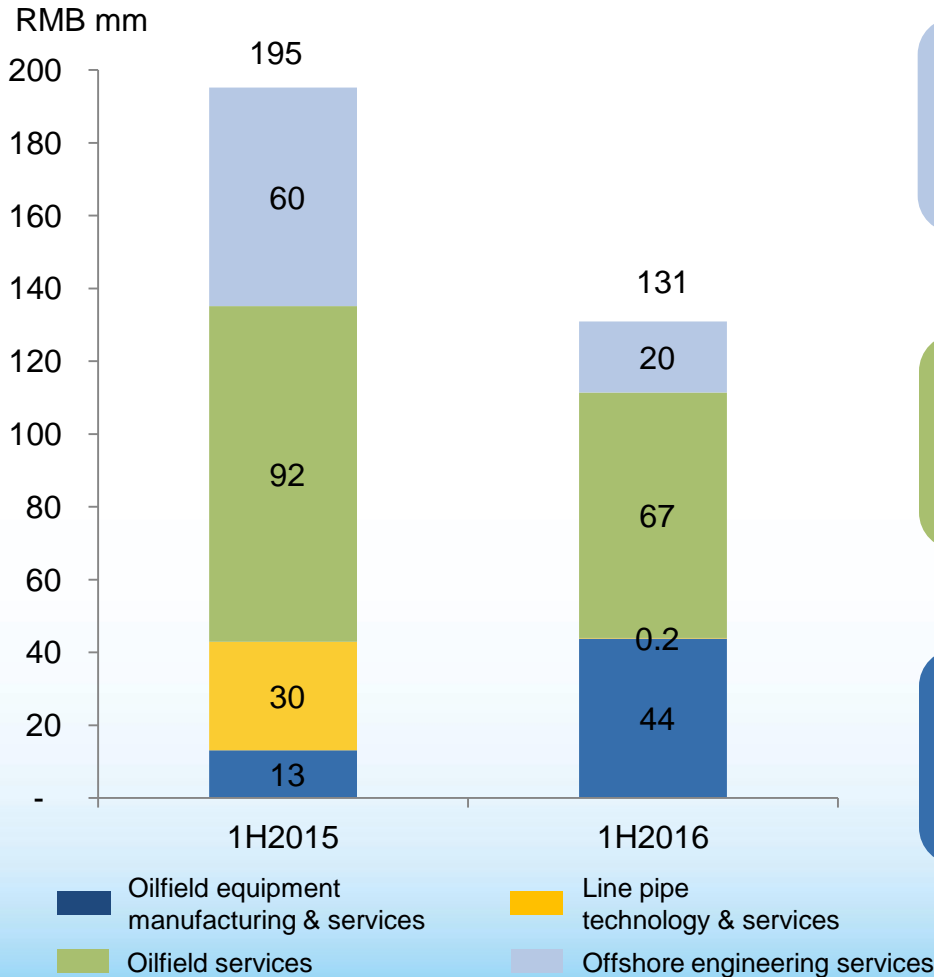


Note:

- 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

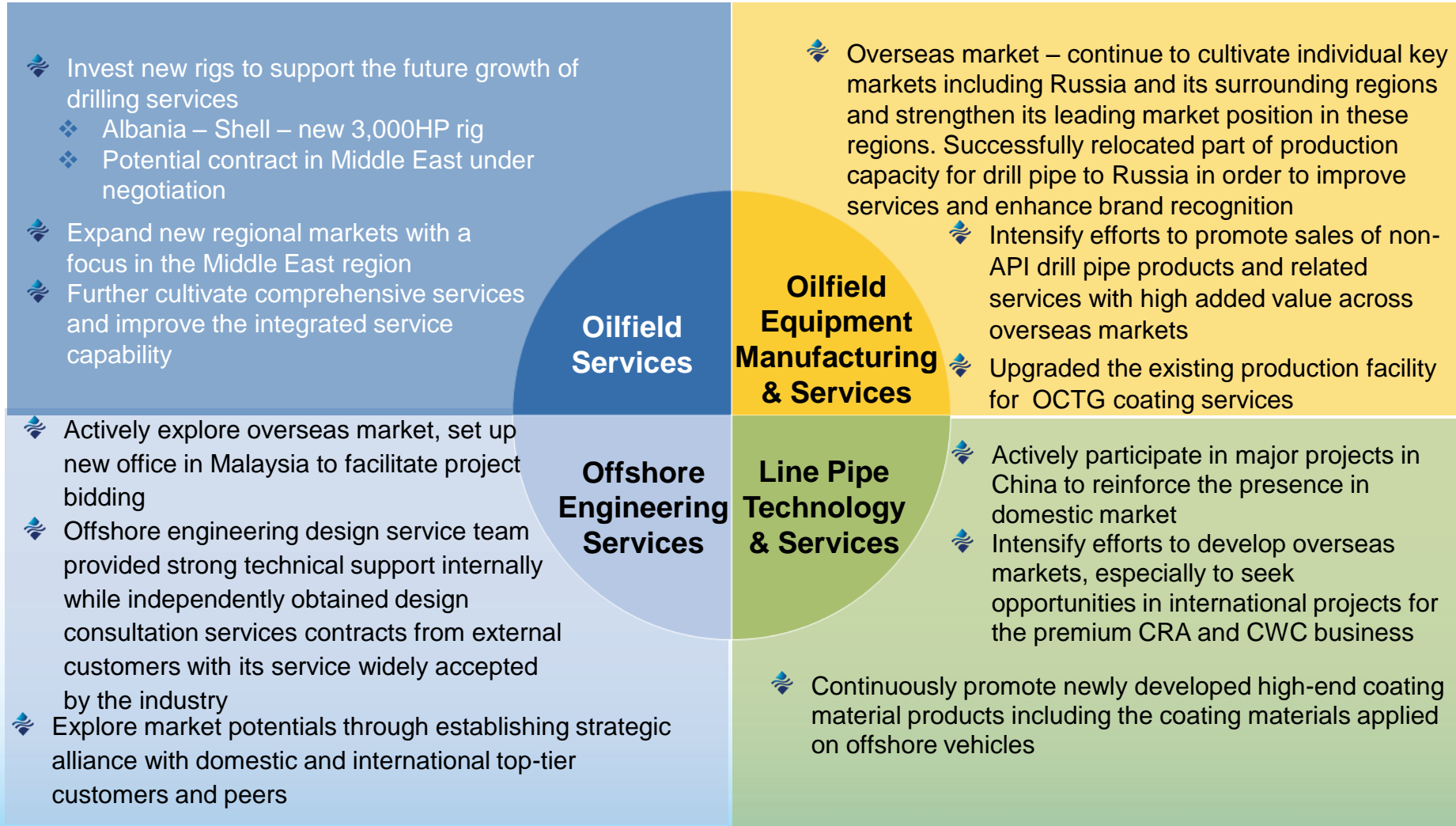
Offshore engineering services
Continuous upgrade for Hilong 106

Oilfield services
Procurement of rig components

Oilfield equipment manufacturing & services
Routine maintenance and upgrade for production lines in Russia

Business Outlook

To Implement New Development Strategies under New Market Conditions



Q & A