



海隆控股有限公司
Hilong Holding Limited

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

The background features a stylized world map in light grey at the bottom. Overlaid on the map are several curved lines in white and blue, with small grey circles at their intersections. In the upper right, there are silhouettes of industrial structures, including a large offshore platform and several oil rigs, rendered in dark blue and light blue tones.

2015 Annual Results Presentation

March 2016

Disclaimer



The presentation material contains forward-looking statements. Such forward-looking statements are subject to various risks, uncertainties and assumptions, certain of which are not under our control, causing actual results and growth which may differ materially from these direct or indirect forward-looking statements. Forward-looking events and relevant development discussed herein may differ from the expectation of Hilong Holding Limited (the "Company"), and even never occur due to such risks, uncertainties and assumptions. You should not rely excessively on any forward-looking information.

Information or content contained herein is subject to variation from time to time without prior notice, the Company is not obligated to update the presentation material. Since it is not verified independently, its accuracy is not assured, there is no direct or indirect statement or guarantee for the accuracy, fairness and completeness of the information or content contained herein, and reliance should not be placed on the accuracy, fairness and completeness of the information or content contained herein.

The Company, any of its associates, consultants or representatives shall not assume any responsibilities for losses arising from the information or content contained herein.

1 Results Highlights

2 Business Review

3 Financial Performance

4 Business Outlook



Results Highlights

Results Highlights



Hilong maintained stable operation despite the tough market environment in 2015



Oilfield services

- ❖ Maintained stable operation for traditional advantageous business of drilling services
- ❖ Realized steady operation of existing rig fleet
- ❖ Successfully marched into new regional market and invested new rigs to provide services for a new customer
- ❖ Achieved diversified development
- ❖ Notable progress for comprehensive services in team building and market development



Line pipe technology & services

- ❖ Achieved slight growth in spite of harsh market conditions
- ❖ Won several contracts in both China and overseas markets
- ❖ Closely cooperated with offshore engineering services segment and successfully participated in CNOOC East China Sea Project
- ❖ Actively explored market for new businesses



Oilfield equipment manufacturing & services

- ❖ Took active measures to cope with the challenging drill pipe market
- ❖ Maintained a strong market presence in China
- ❖ Adjusted the regional sales focus for overseas market
- ❖ The overseas plants drove the overall development of OCTG coating services; vigorously explored new market demand and expanded service scope



Offshore engineering services

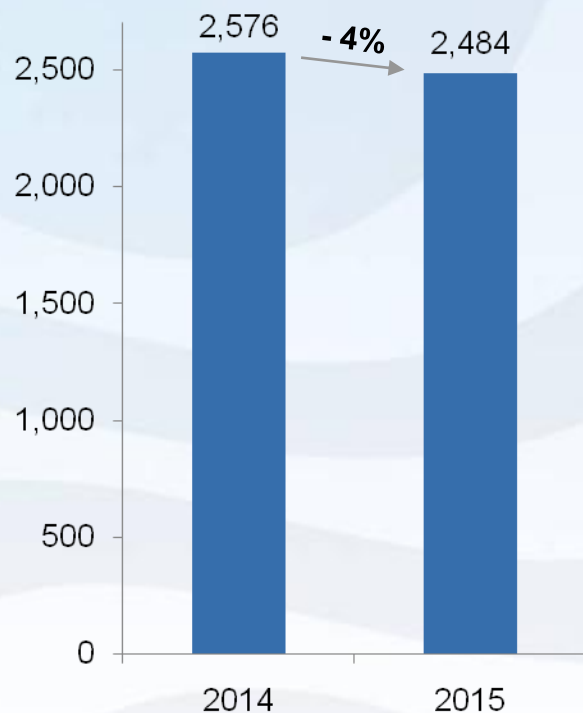
- ❖ Successfully laid offshore pipe lines for CNOOC's East China Sea Project and Weizhou Phase II Project using Hilong 106
- ❖ Offshore engineering design services harvested steady development

Financial Overview



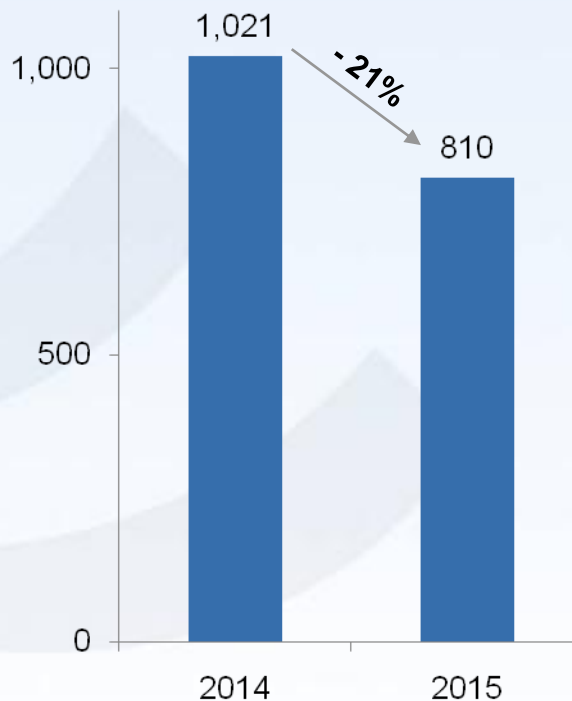
Total Revenue

RMB MM



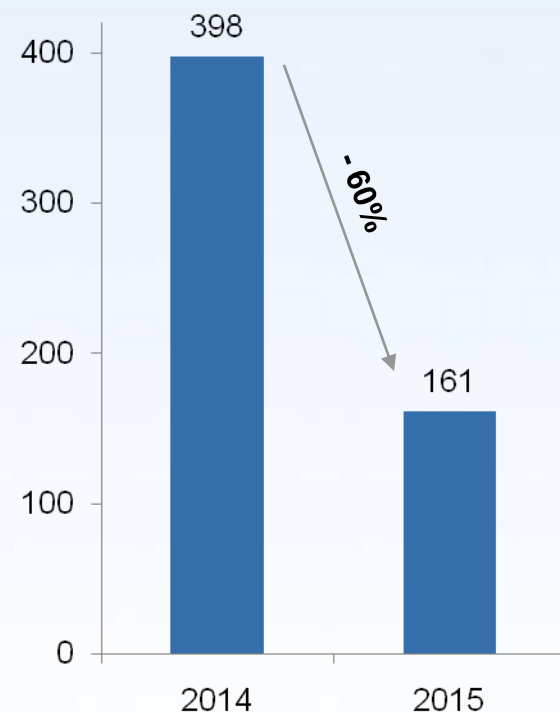
Gross Profit

RMB MM



Net Profit to Equity Owners

RMB MM



- 2015 full-year revenue amounted to RMB2,484 million, indicating a decline of ca. 4% over 2014
- Recorded net profit attributable to equity owners of the Company of RMB161 million, a year-on-year decline of ca. 60%

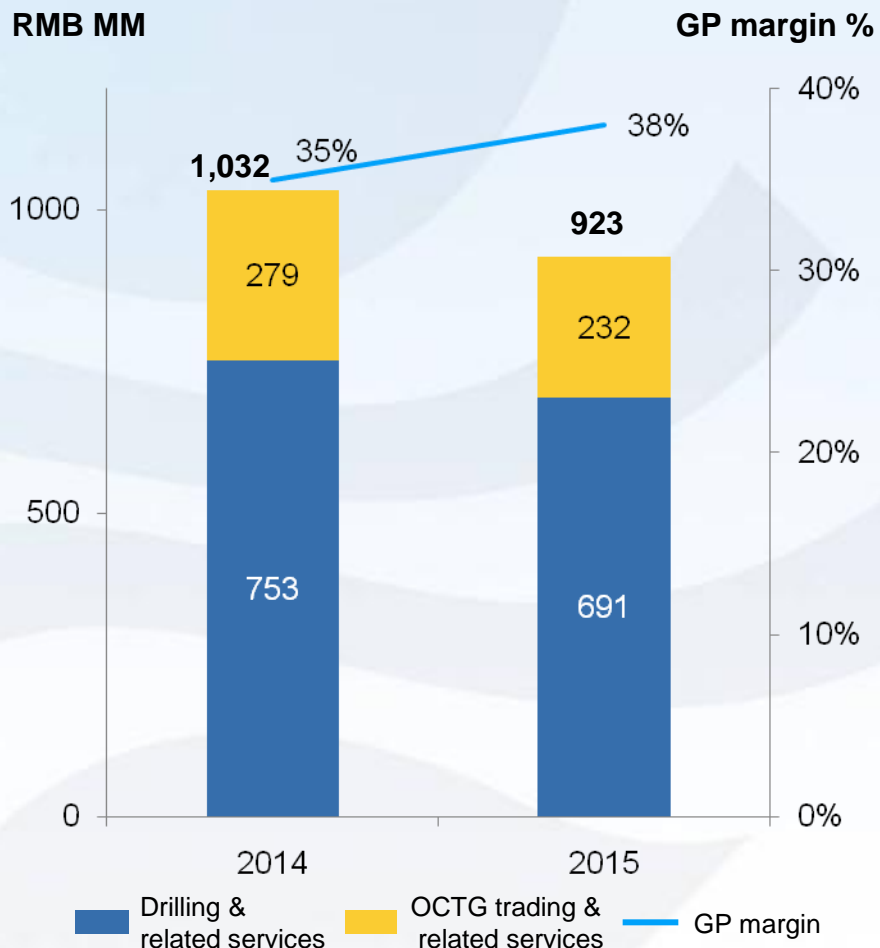


Business Review



Segment Revenue: - 11%

Maintained Stable Operation of Drilling Services and Achieved Diversification of Business



Achieved stable operation for traditional advantageous business amid the depressed market

- ❖ Successfully maintained steady operation of existing rigs
 - ❖ Realized smooth continuation of existing contracts
 - ❖ Maintained relatively strong pricing power and stable average day rate
- ❖ Successfully engaged a new customer, won new contracts and marched into a new regional market
 - ❖ Won 3-year drilling service contracts from Poly-GCL and commenced service in Ethiopia with two new high-end rigs within the year
 - ❖ Further expanded the rig fleet and business scale

Made notable progress for business diversification

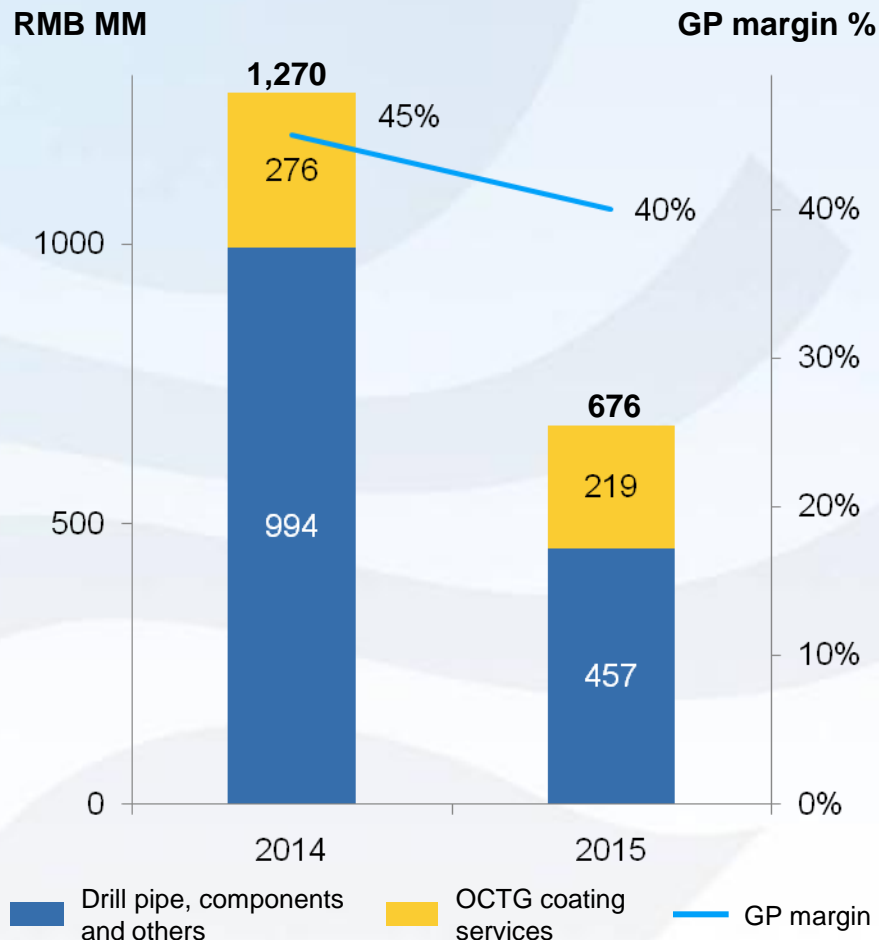
- ❖ Established teams for comprehensive services covering drilling and completion fluids, directional drilling, horizontal drilling and well completion and obtained several contracts from both domestic and overseas customers

Oilfield Equipment Manufacturing and Services



Segment Revenue: - 47%

Took Active Measures to Cope with the Market Challenges



Drill pipe and related products

- ❖ Maintained a strong market position in China and a relatively stable market share
- ❖ Actively adjusted the regional focus of overseas sales and relocated part of the production facility to Russia with an aim to further explore the potential demand in this region
- ❖ Continuously develop and promote premium products

OCTG coating services

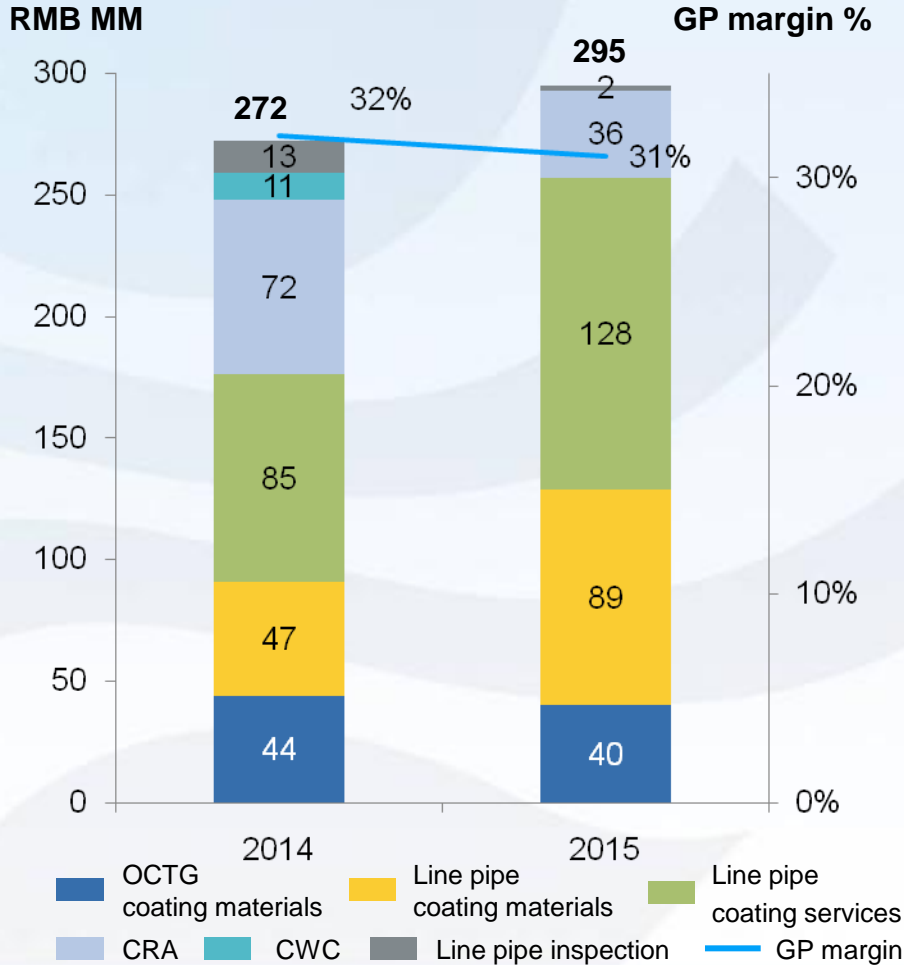
- ❖ The overseas plants drove the overall development of OCTG coating business and enhanced the brand influence globally
- ❖ Actively promoted application of coatings on tubings and casings and other new types of pipes in order to expand the service scope

Line Pipe Technology and Services



Segment Revenue: + 9%

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



- ❖ Realized slight growth amid the tough market
- ❖ Coordinated development of domestic and international business and won several orders
 - ❖ Line pipe coating project from China Petroleum Pipeline Material and Equipment Corporation
 - ❖ APA Project Phase IV in Australia
 - ❖ Khazzan Project from BP jointly with Baosteel
- ❖ Developed various business lines to improve the overall segmental profitability and established steady development momentum for new businesses
 - ❖ Obtained another order from CNPC for line pipe inspection service of Shan-Jing III
 - ❖ Won CWC order in connection with CNOOC's East China Sea Project
- ❖ Closely worked with offshore engineering services segment and fully leverage synergies generated between segments
 - ❖ Provided traditional line pipe coating and CWC services for CNOOC's East China Sea Project and made significant contribution to the success of the project

Offshore Engineering Services

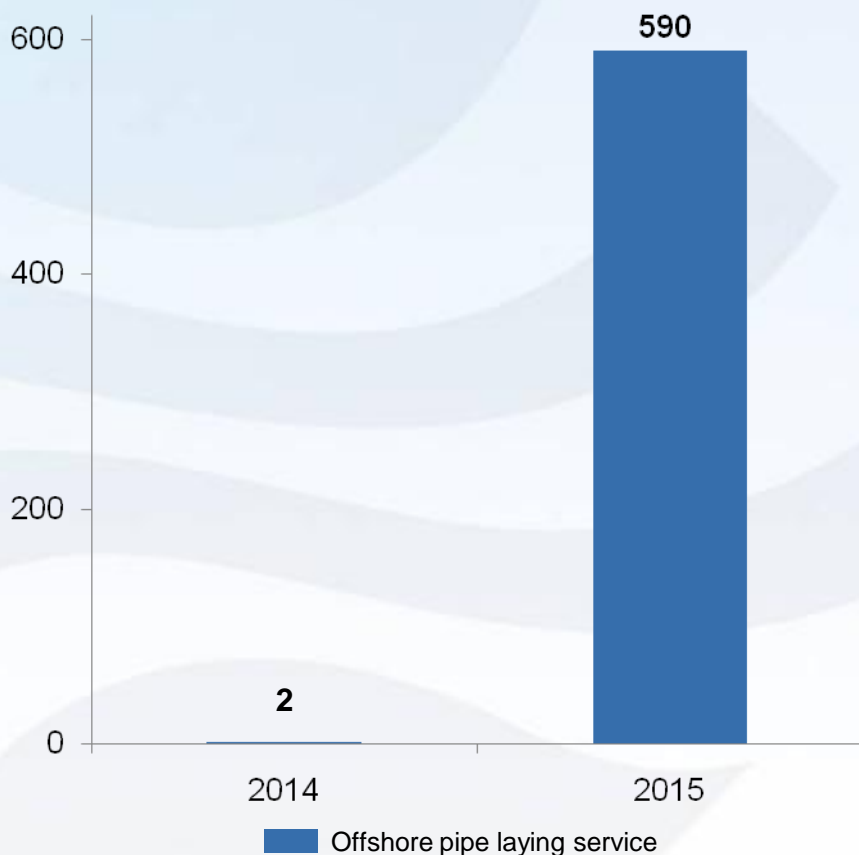


Full-year Revenue of RMB590 MM

New Segment Smoothly Launched with a Successful Debut in the First Year

RMB MM

FY GP margin: 16%



- ❖ Successfully executed two major EPCI service contracts for CNOOC and built a solid track record
- ❖ Utilized Hilong 106 to lay offshore pipelines for East China Sea Project and Weizhou Phase II Project
- ❖ Quality of work and construction efficiency highly appraised by CNOOC
- ❖ Proved Hilong's high-standard capability of providing integrated offshore services covering engineering design, construction and all the other areas
- ❖ Brought business opportunity for line pipe coating services and generated synergies
- ❖ 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

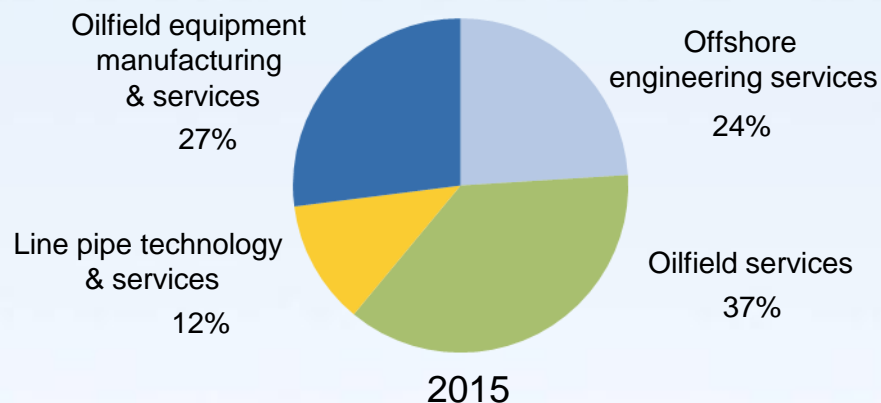
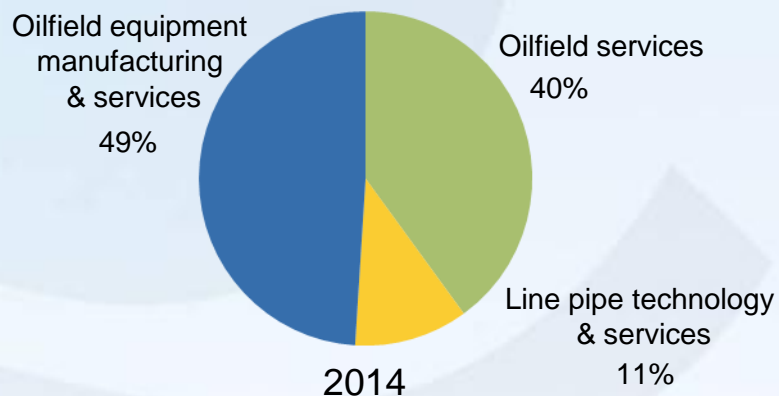


Financial Performance

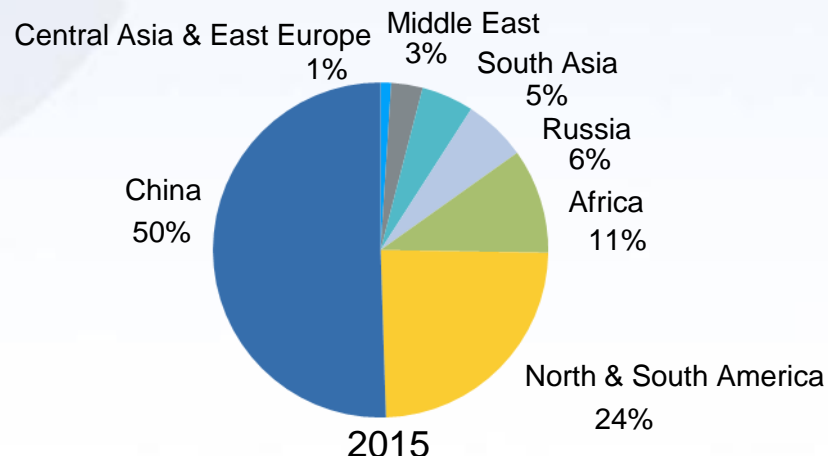
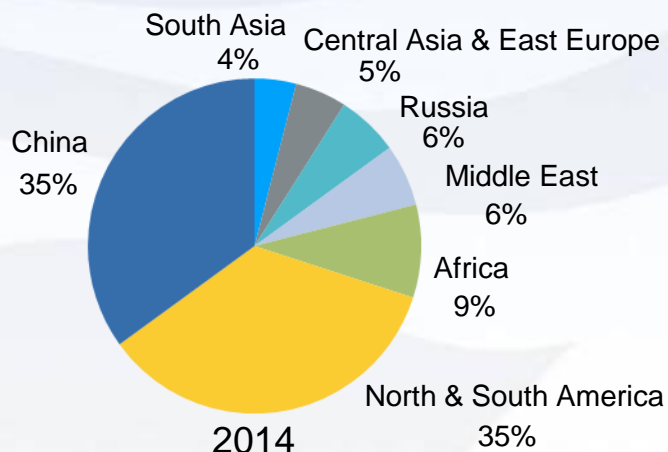
Revenue Breakdown



Revenue Breakdown by Segment



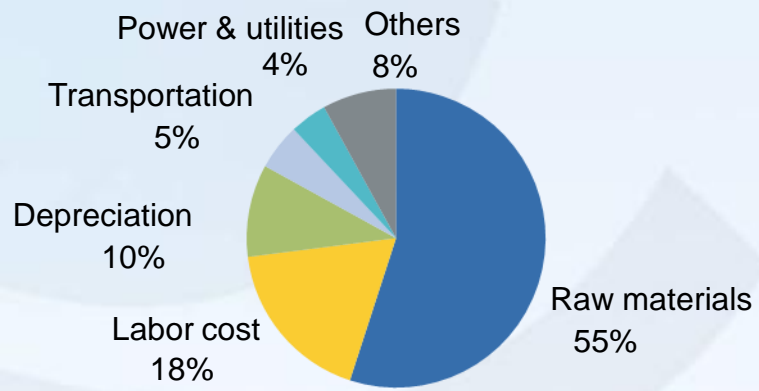
Revenue Breakdown by Geography



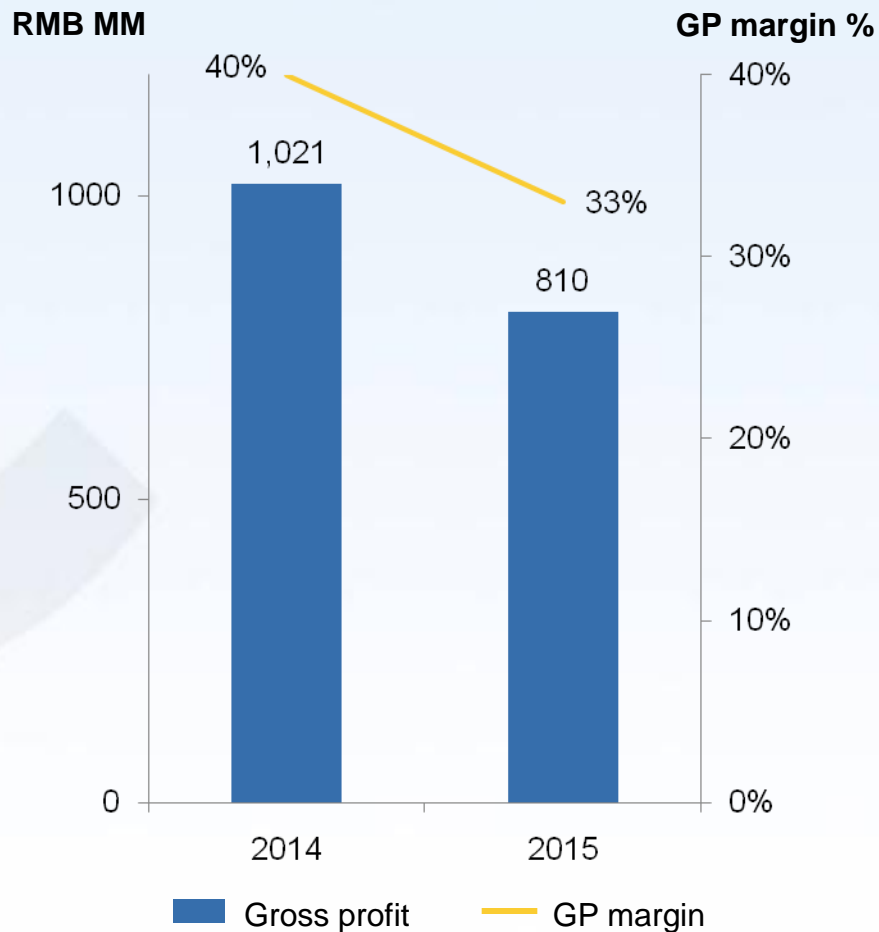
Cost and Gross Profit Analysis



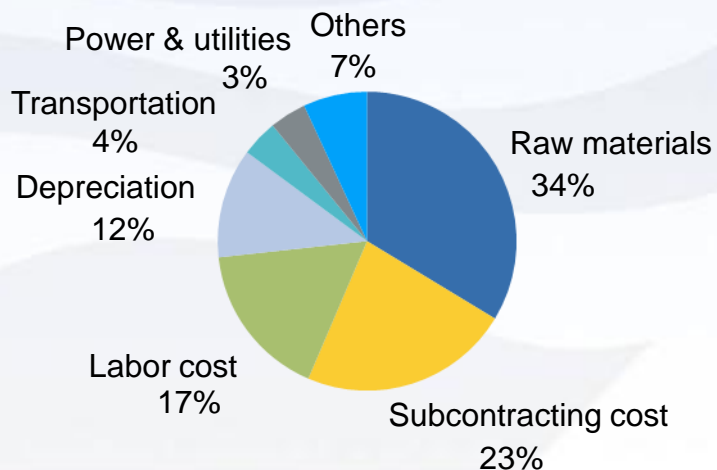
Total Cost in 2014: RMB1,555 MM



Gross Profit and Margin Decreased



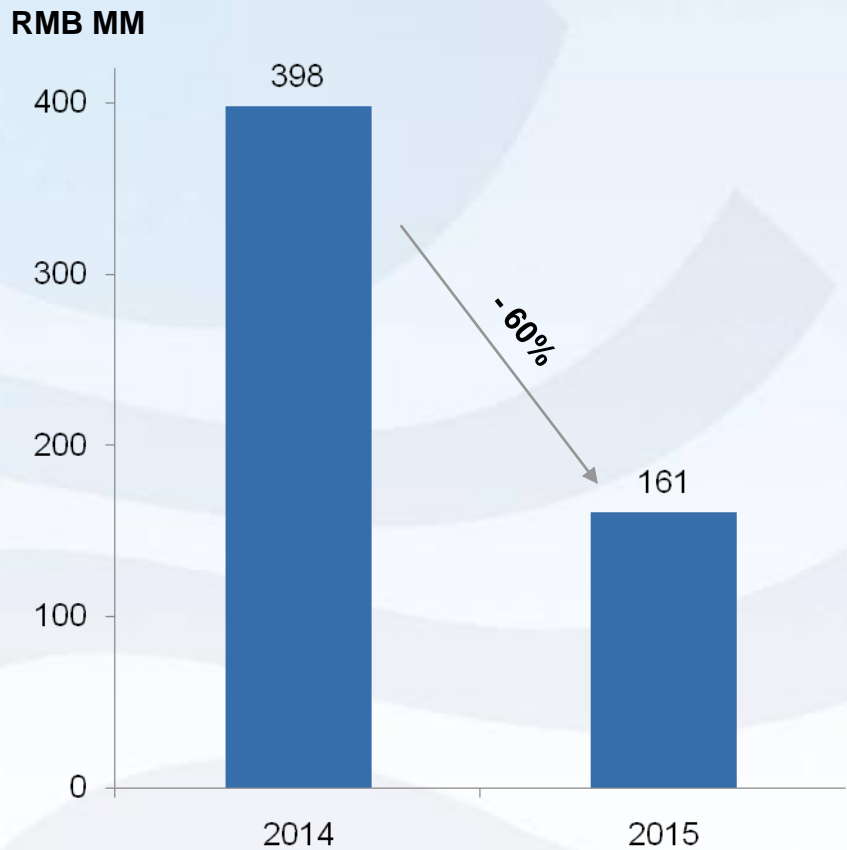
Total Cost in 2015: RMB1,674 MM



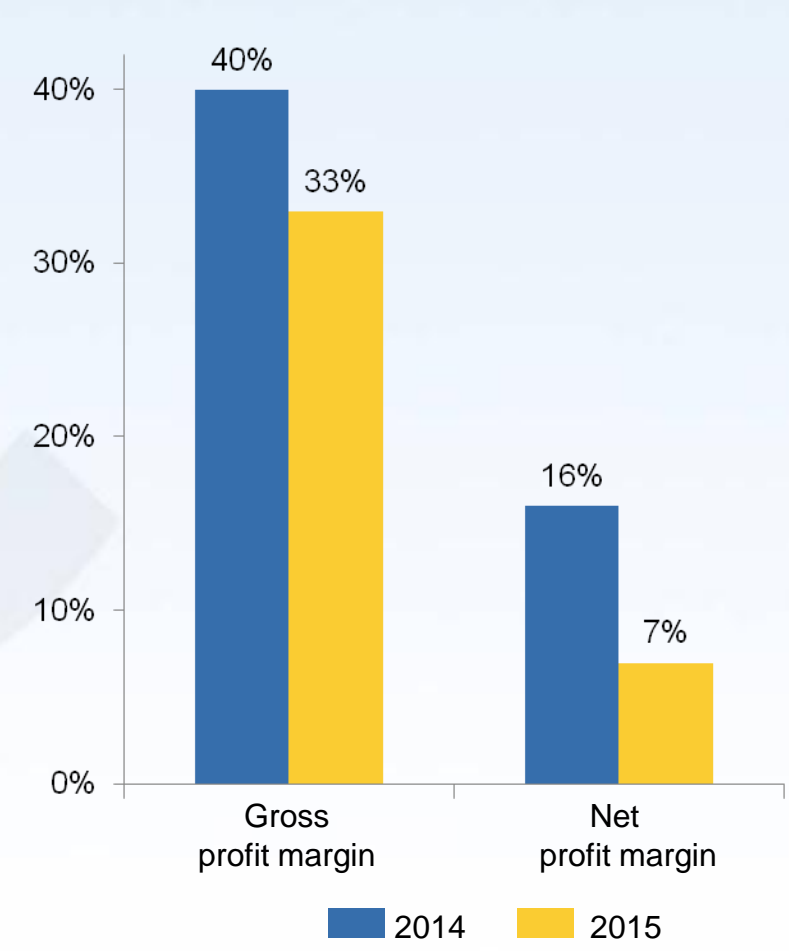
Profitability



A Year-on-Year Decline of Net Profit



Profitability under Pressure



Capital Structure and Return



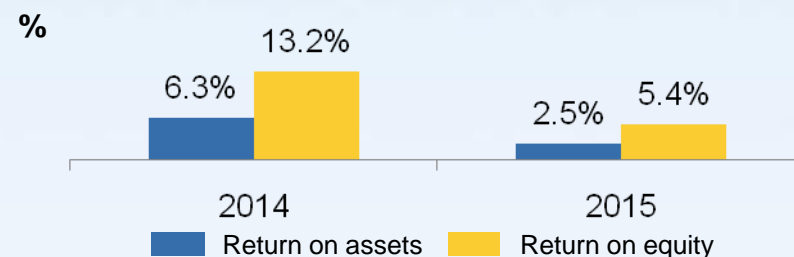
Capital Structure

RMB MM	2014	2015
Operating cash flow	261	485
Cash & cash equivalents	548	821
Current assets	3,352	3,588
Total assets	6,627	7,064
Short-term debt	833	1,592
Long-term debt	1,630	1,084
Total liabilities	3,484	3,808
Shareholders' equity	2,918	3,022
Minority interest	225	234
Total equity	3,143	3,256

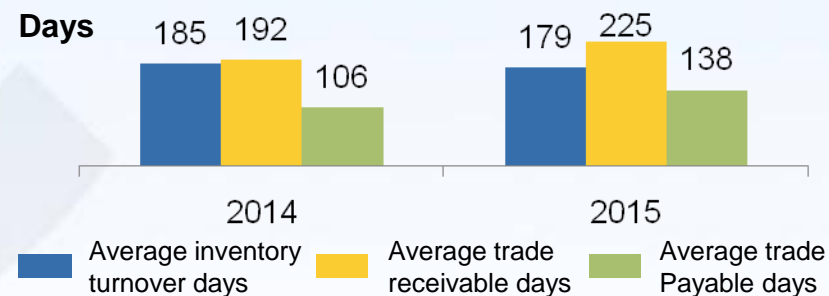
Note:

- 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

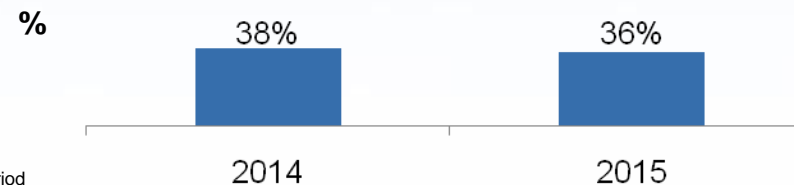
Return on Assets & Return on Equity ⁽¹⁾



Turnover Days for Current Assets ⁽²⁾



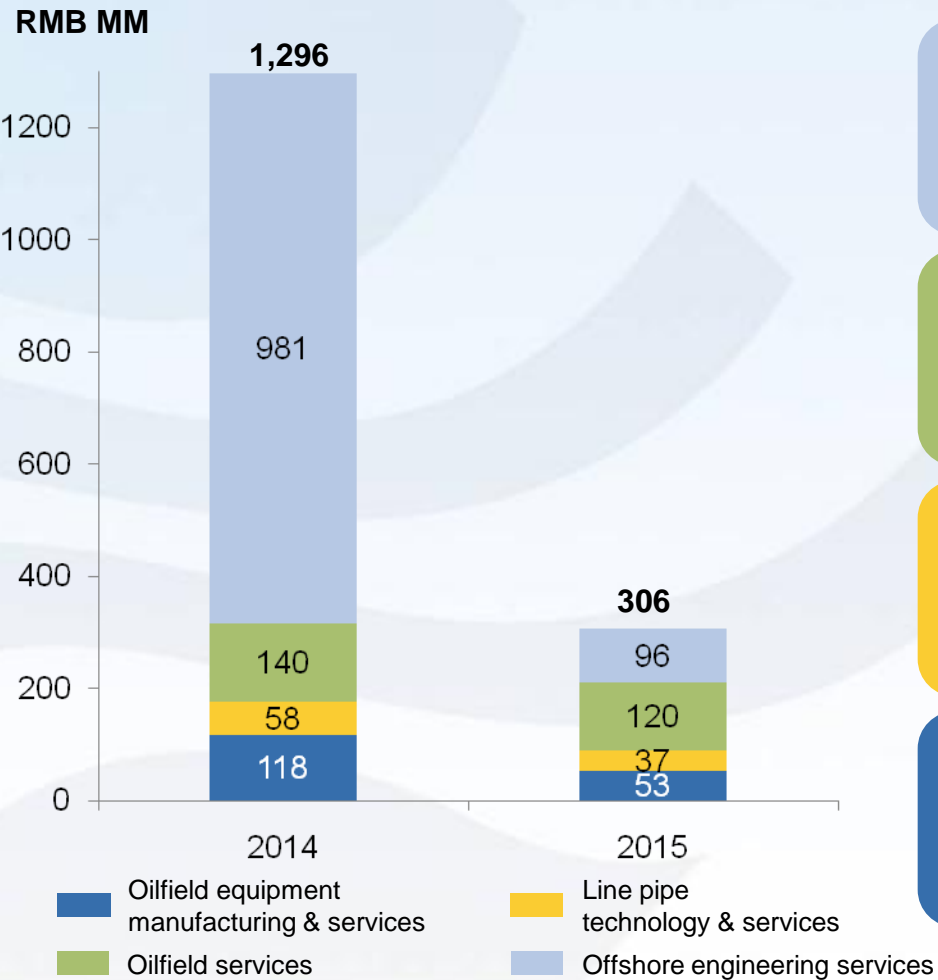
Gearing Ratio: Net Debt/Total Capital ⁽³⁾



Capital Expenditure



Capital Expenditure Breakdown



Major Capital Expenditure Projects

Offshore engineering services
Continuous upgrade for Hilong 106

Oilfield services
Procurement of rig components

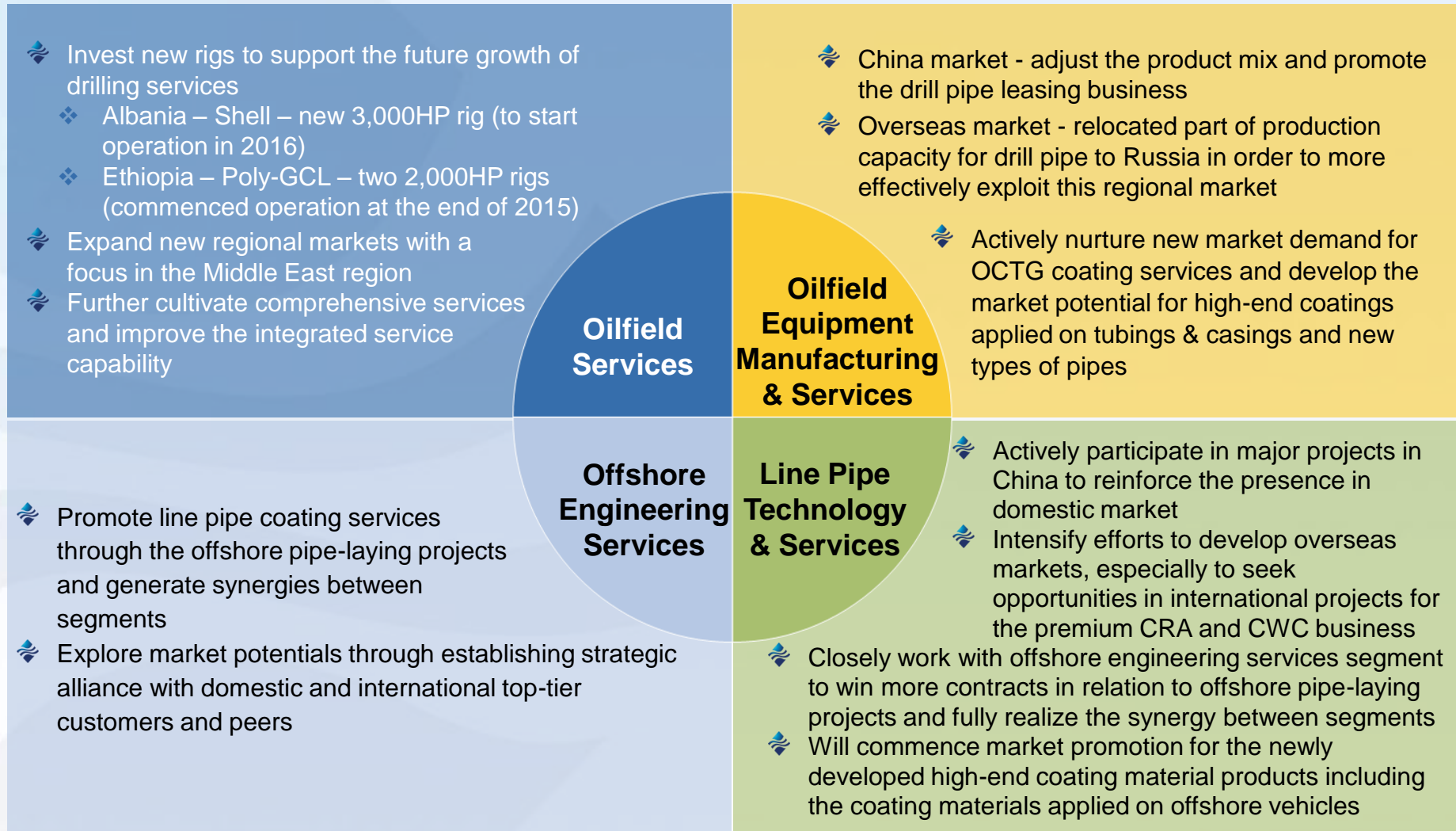
Line pipe technology & services
Upgrade expenses for CRA production line

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



Business Outlook

To Implement New Development Strategies under New Market Conditions





Q & A