



**HILONG**

**海隆控股有限公司\***

**Hilong Holding Limited**

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

**2015 Interim Results Presentation**

**August 2015**

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## Results Highlights

# Results Highlights



In 1H 2015, Hilong maintained steady operation despite the challenging market environment

## Explored New Opportunities for Existing Businesses

- ❖ Actively adjusted the regional focus for overseas drill pipe sales and reinforced the advantages in certain areas
- ❖ The overseas plant drove the overall development of OCTG coating services; actively explored new market demand and expanded service scope
- ❖ Obtained line pipe coating services contracts related to offshore engineering services project and realized synergy between segments
- ❖ Maintained stable operation of existing rig fleet and relatively strong pricing power and won the new drilling service contract from new customer



## Successful Launch and Stable Initial Development of New Businesses

- ❖ Official launch of offshore engineering services segment
- ❖ Successfully laid offshore pipe lines for CNOOC's East China Sea Project and Weizhou Phase II Project using Hilong 106
- ❖ Quality of work highly appraised by the customer with several new records set for construction efficiency
- ❖ Brought new opportunities for line pipe coating services and generated synergy between segments
- ❖ Other new businesses such as line pipe inspection also maintained a promising development momentum

- ❖ Achieved a total revenue of RMB1,300 million, a year-on-year growth of ca. 10%
- ❖ Recorded net profit of RMB109 million, representing a decline from 1H 2014

# Financial Overview



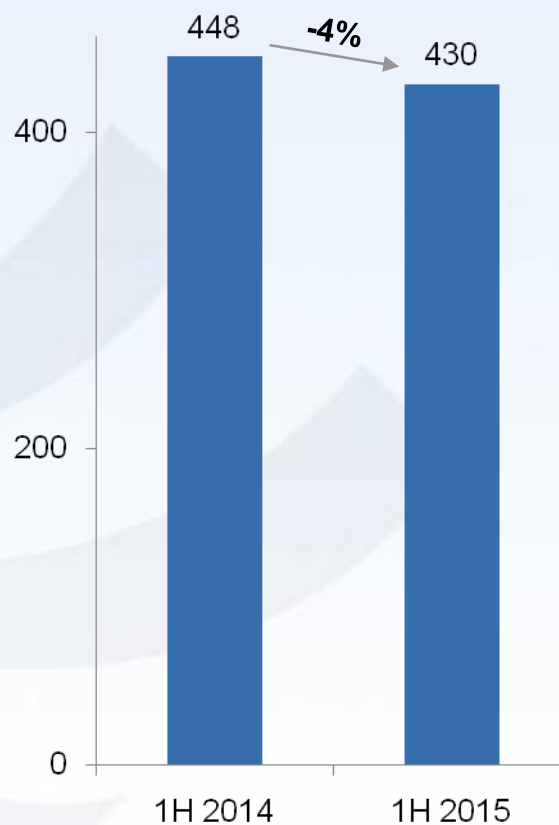
## Total Revenue

RMB MM



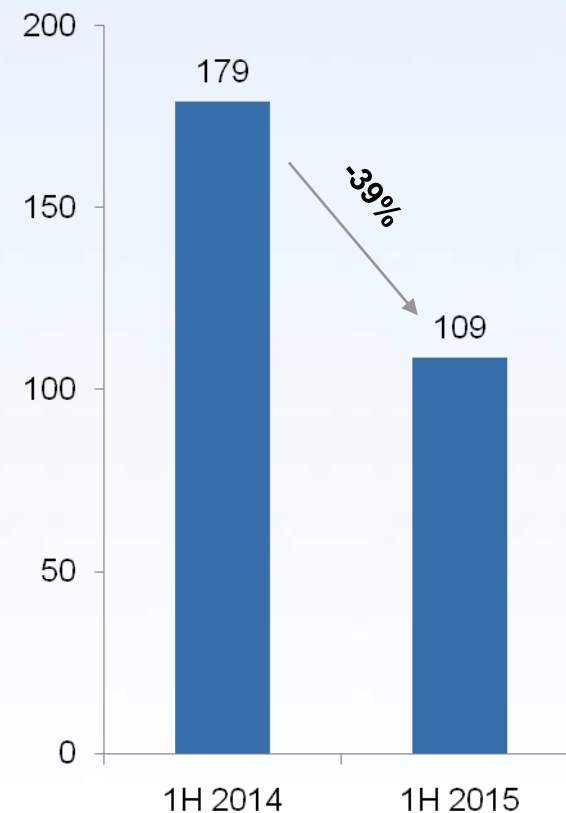
## Gross Profit

RMB MM



## Net Profit to Equity Owners

RMB MM





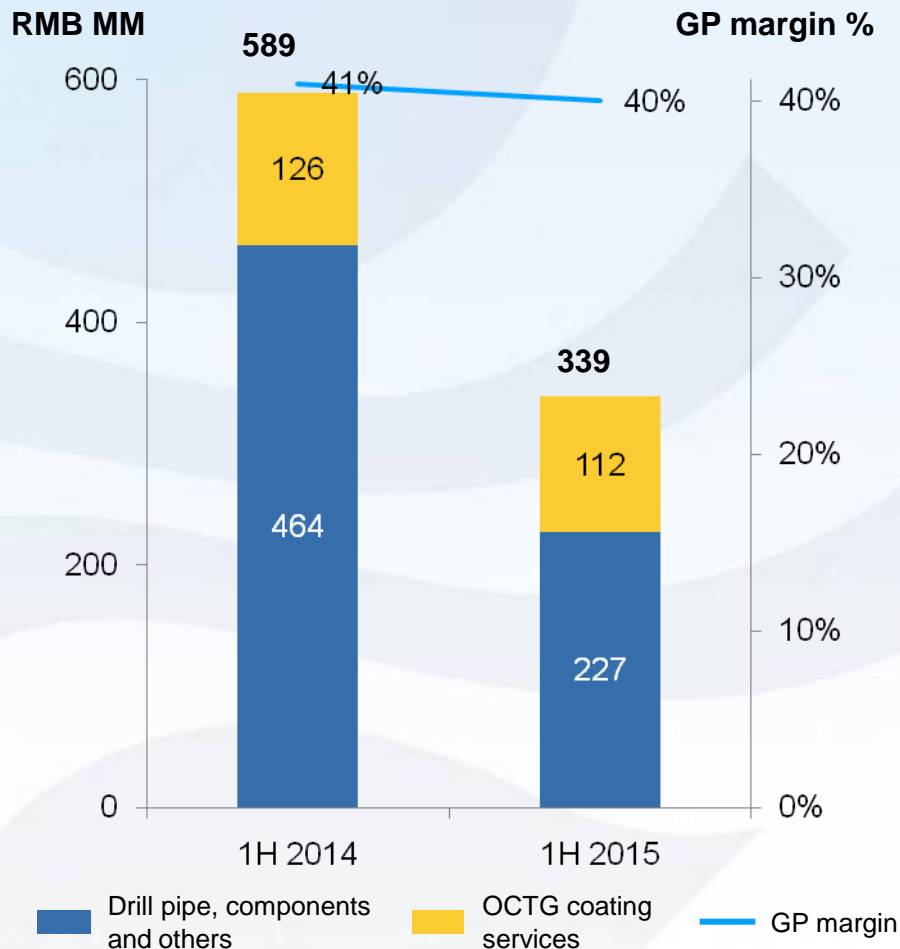
# Business Review

# Oilfield Equipment Manufacturing and Services



Segment Revenue: -43%

Maintained the Stable Operation of the Traditional Core Businesses



## Drill pipe and related products

- ❖ Maintained the leading and stable market position in China and continued a steady pace of growth in overseas markets
- ❖ Actively adjusted the regional focus of overseas sales by following the market dynamics
- ❖ Continued the development and promotion of premium products

## OCTG coating services

- ❖ The overseas plant 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 to expand the service scope

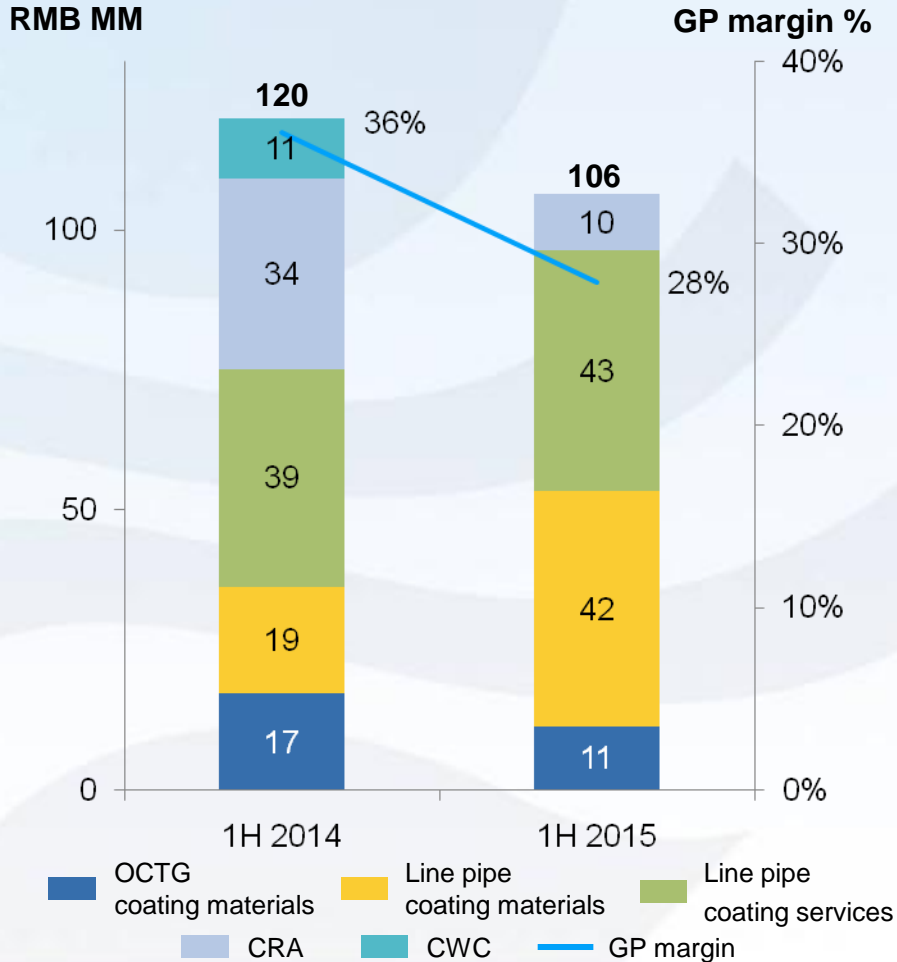


# Line Pipe Technology and Services



**Segment Revenue: -11%**

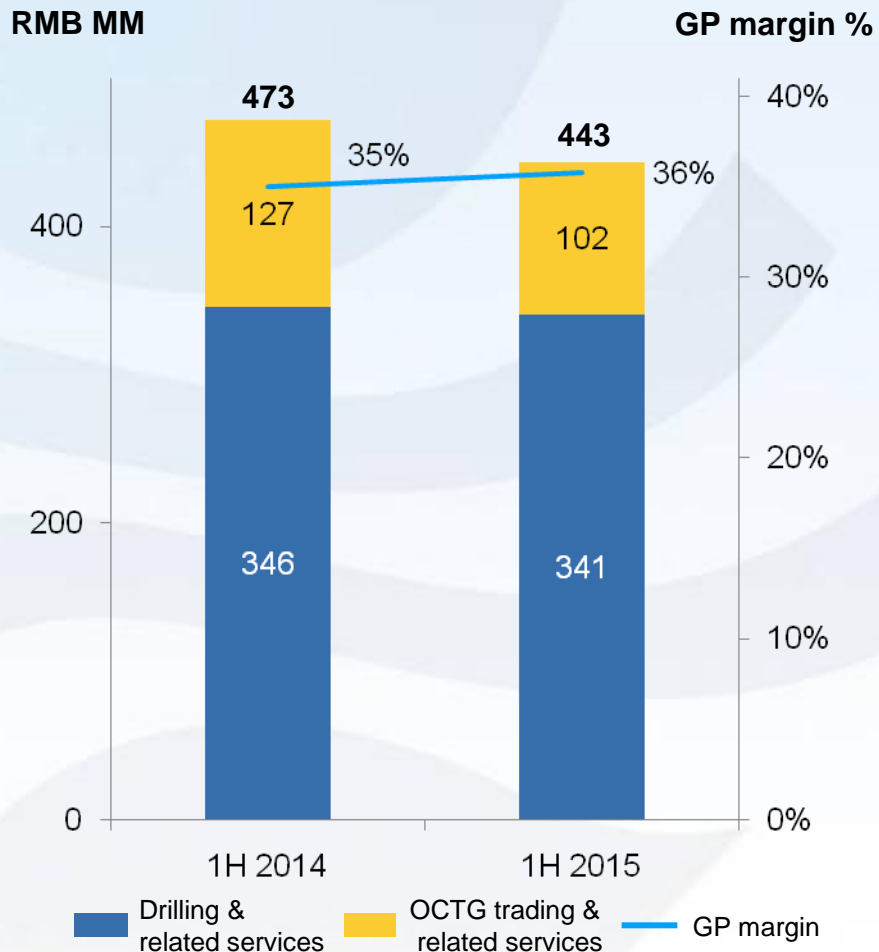
**Cooperated with Other Segments and Sought New Opportunities**



- ❖ Obtained several orders at home and abroad despite the tough market conditions
- ❖ Line pipe coating project from China Petroleum Pipeline Material and Equipment Corporation
- ❖ Khazzan Project from BP jointly with Baosteel
- ❖ Coordinated development of domestic and international business
- ❖ Steady progress of new businesses with promising development momentum
- ❖ Obtained another order from CNPC for line pipe inspection service of Shan-Jing III
- ❖ Won CWC order related to CNOOC's East China Sea Project
- ❖ Closely worked with offshore engineering services segment and set an example for synergy generation 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 entire project



## Segment Revenue Remained Stable



## Maintained Steady Operation of Existing Rigs and Pursued New Market Opportunities

- ❖ Achieved stable operation of existing rig fleet
  - ❖ Realized normal execution and smooth continuation of existing contracts mainly relying on high-end rig fleet, advanced technology, diversified customer base and strategic regional presence
  - ❖ Retained relatively strong pricing power with the average day rate of existing rigs remained stable
- ❖ Successfully engaged new customer, won new contracts and marched into new regional market
  - ❖ Won a 3-year drilling service contract from Poly-GCL and will commence service in Ethiopia with two new rigs within the year
  - ❖ Further expanded the rig fleet and scale of drilling services
  - ❖ Demonstrated the leading position and high degree of recognition from customers regarding Hilong's premium onshore drilling services

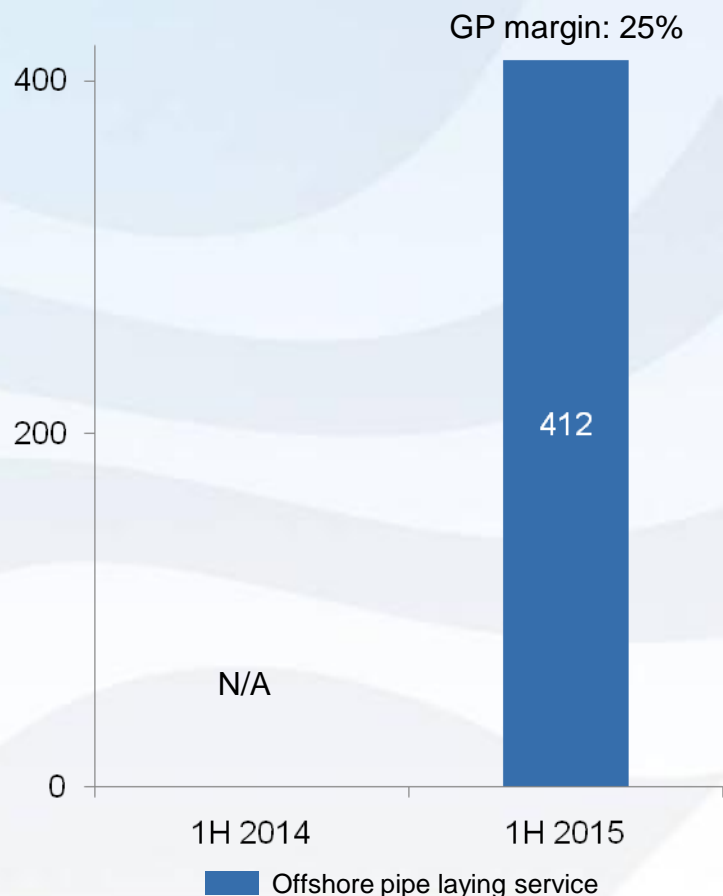
# Offshore Engineering Services



1H 2015 Revenue of RMB412 MM

Official Launch of the New Segment with a Successful Debut in the First Year

RMB MM



- ❖ 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
- ❖ Offshore engineering design service team provided strong technical support to the on-site construction
- ❖ Proved Hilong's high-standard capability for offshore engineering design, construction and integrated services
- ❖ Brought business opportunity for the Company's existing business of line pipe coating services and generated synergies

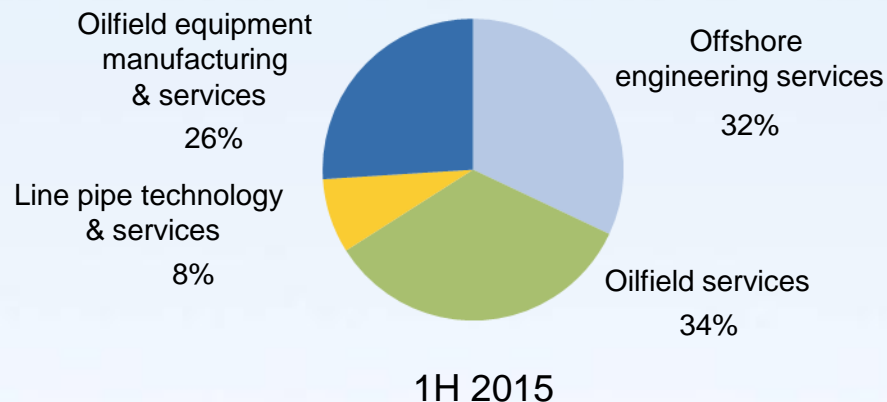
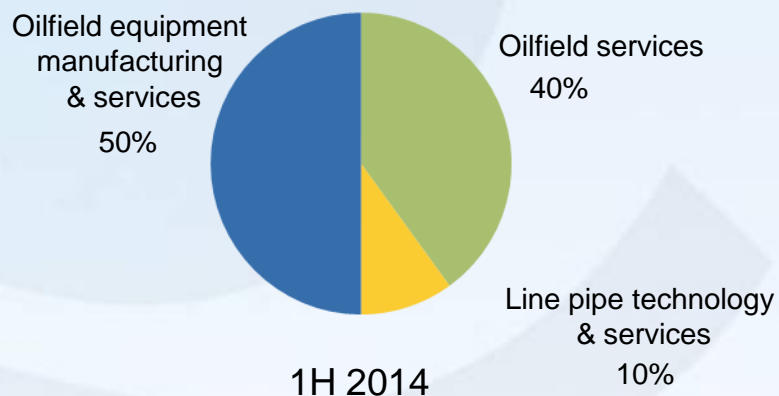


## Financial Performance

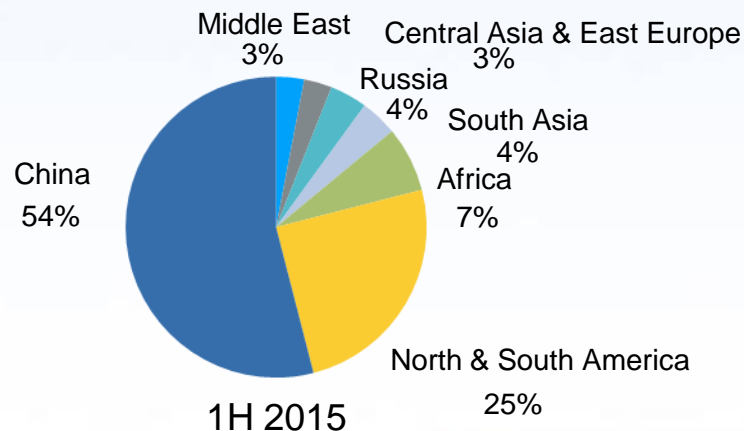
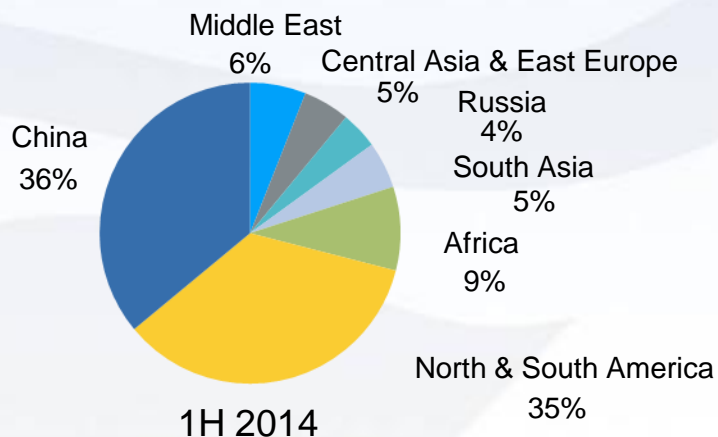
# Revenue Breakdown



## Revenue Breakdown by Segment



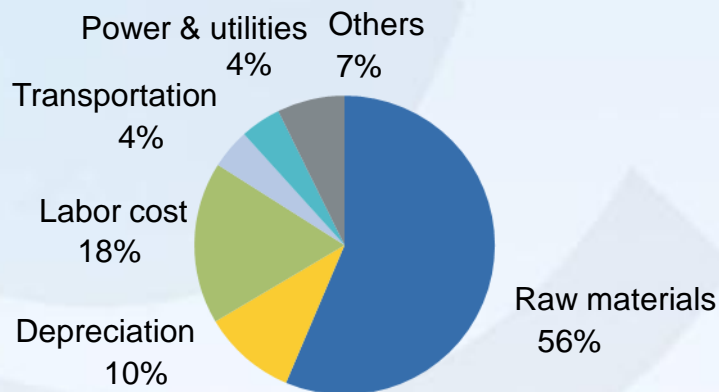
## Revenue Breakdown by Geography



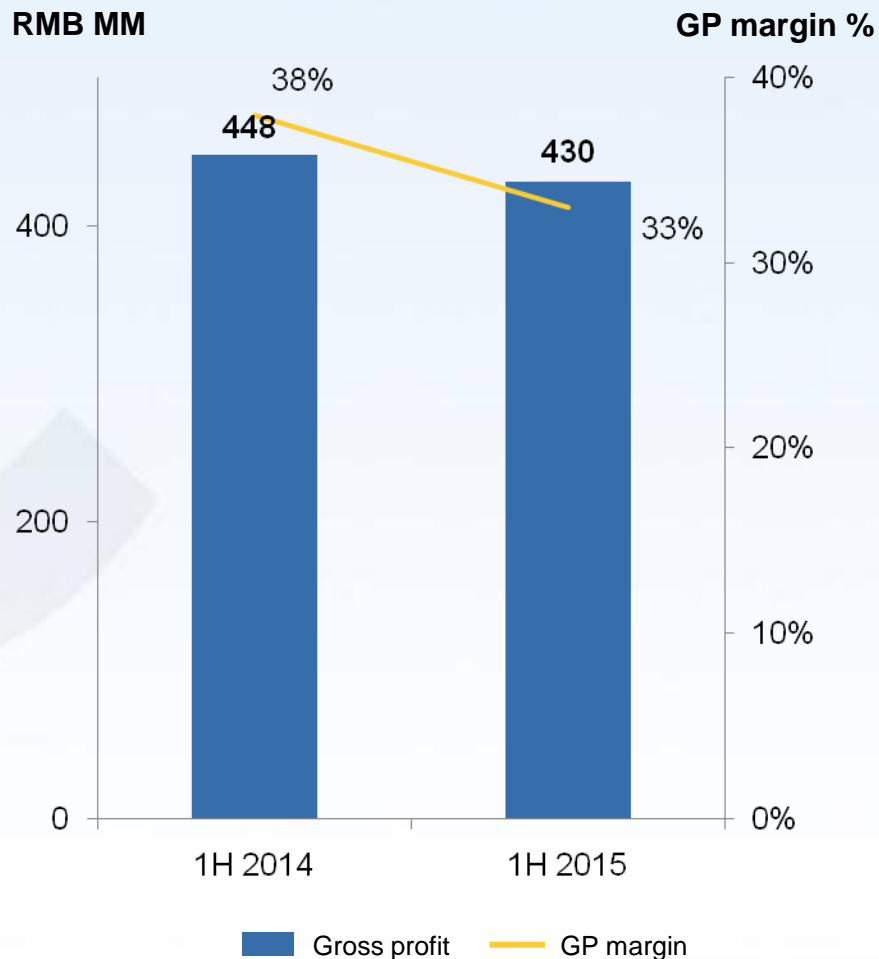
# Cost and Gross Profit Analysis



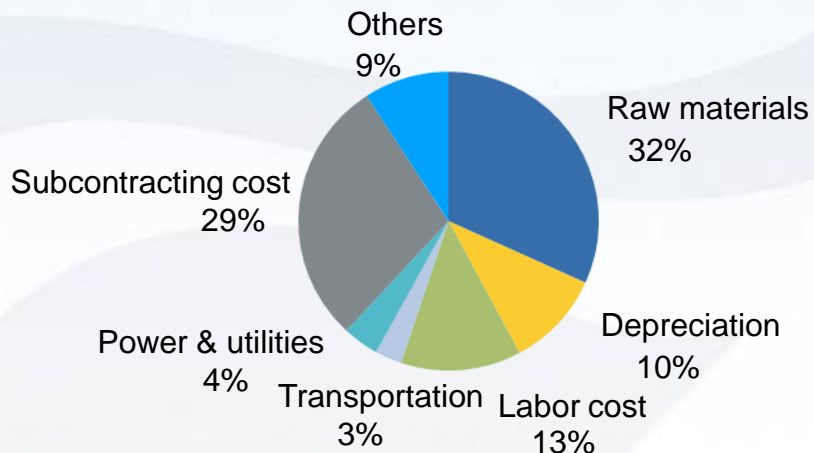
**Total Cost in 1H 2014: RMB734 MM**



**Gross Profit and Margin Decreased**



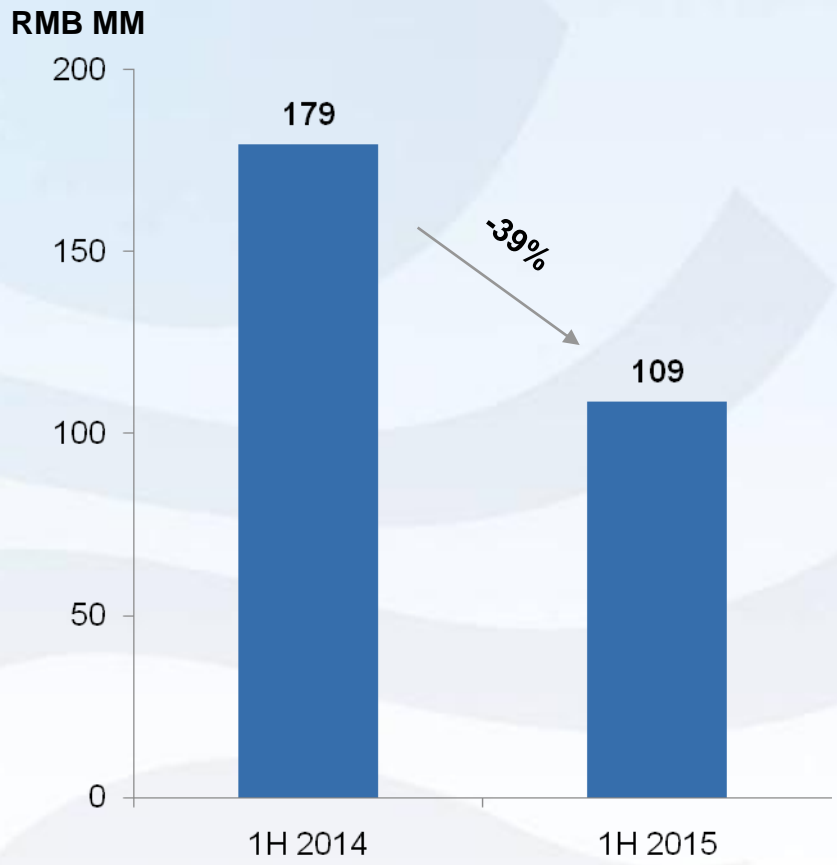
**Total Cost in 1H 2015: RMB871 MM**



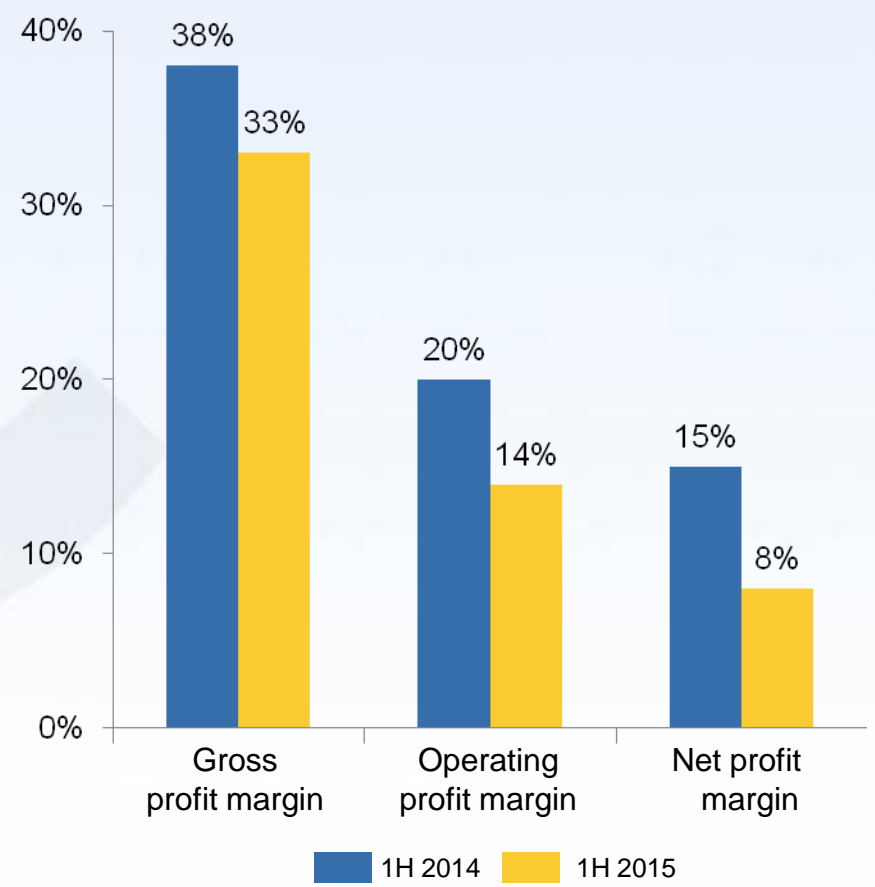
# Profitability



### A Year-on-Year Decline of Net Profit



### Profitability Faced with Pressure



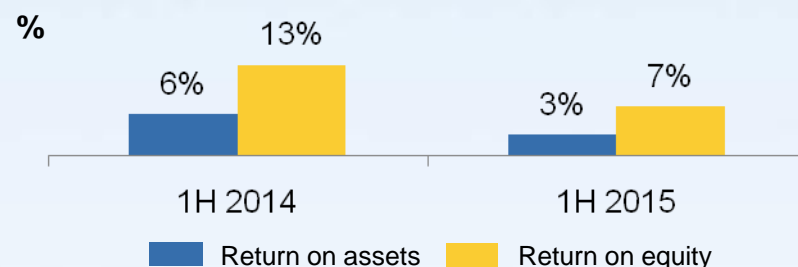
# Capital Structure and Return



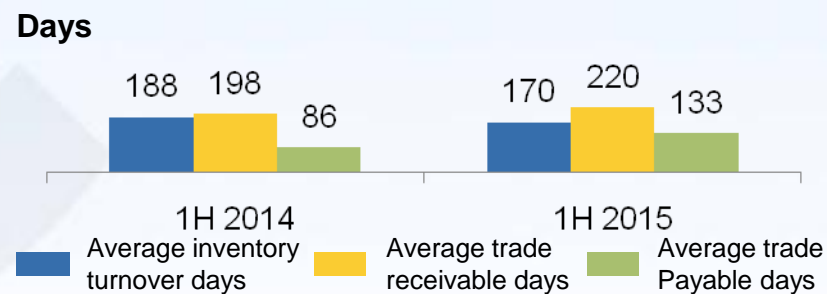
## Capital Structure

RMB MM	2014	1H 2015
Operating cash flow	261	166
Cash & cash equivalents	548	516
Current assets	3,352	3,394
Total assets	6,627	6,756
Short-term debt	833	1,163
Long-term debt	1,630	1,247
Total liabilities	3,484	3,580
Shareholders' equity	2,918	2,951
Minority interest	225	225
Total equity	3,143	3,176

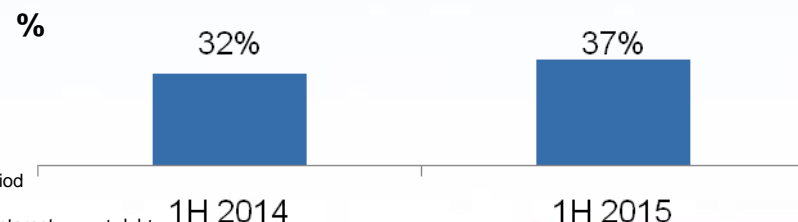
## Return on Assets & Return on Equity <sup>(1)</sup>



## Turnover Days for Current Assets <sup>(2)</sup>



## Gearing Ratio: Net Debt/Total Capital <sup>(3)</sup>



**Note:**

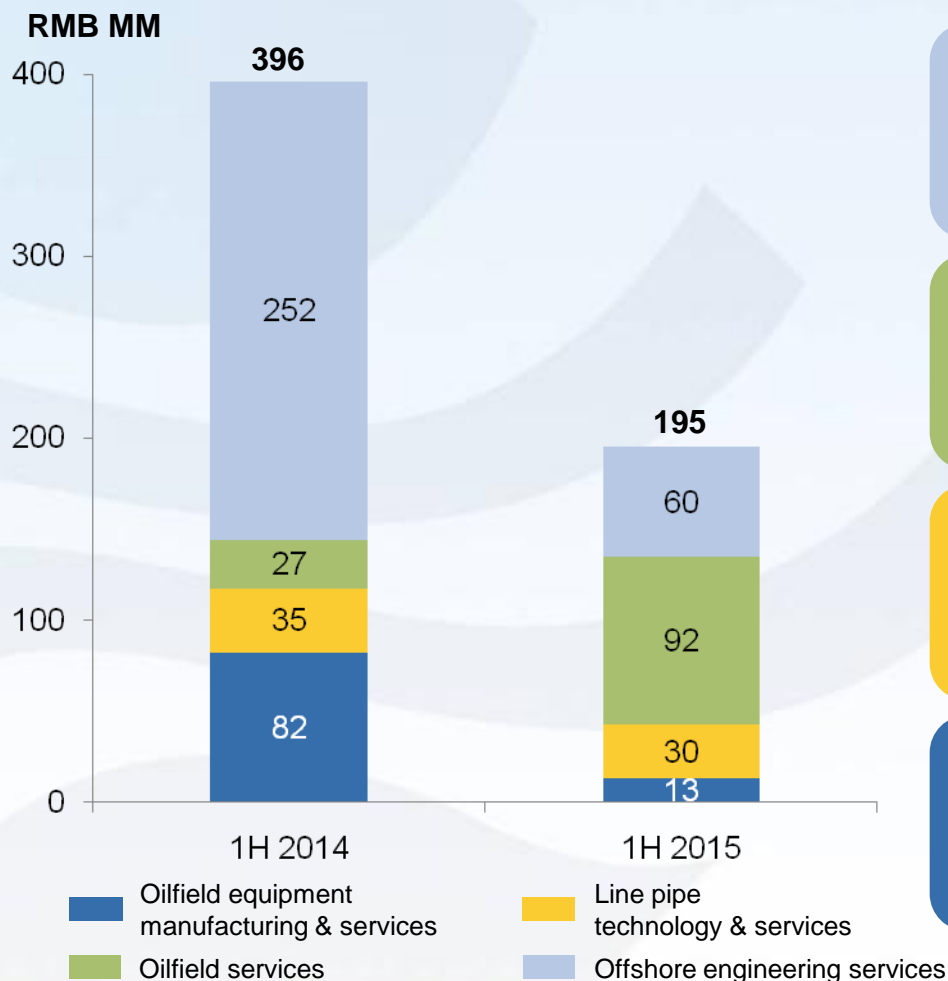
- Return on assets = net profit / ending balance of total assets;  
Return on equity = net profit / ending balance of shareholders' equity
- Average inventory days = days in the period \* average inventory of this period / cost of sales of this period  
Average trade receivables days = days in the period \* 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 cap = shareholders' equity + minority interests + net debt



# Capital Expenditure



## 1H 2015 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

Routine maintenance and upgrade for production lines

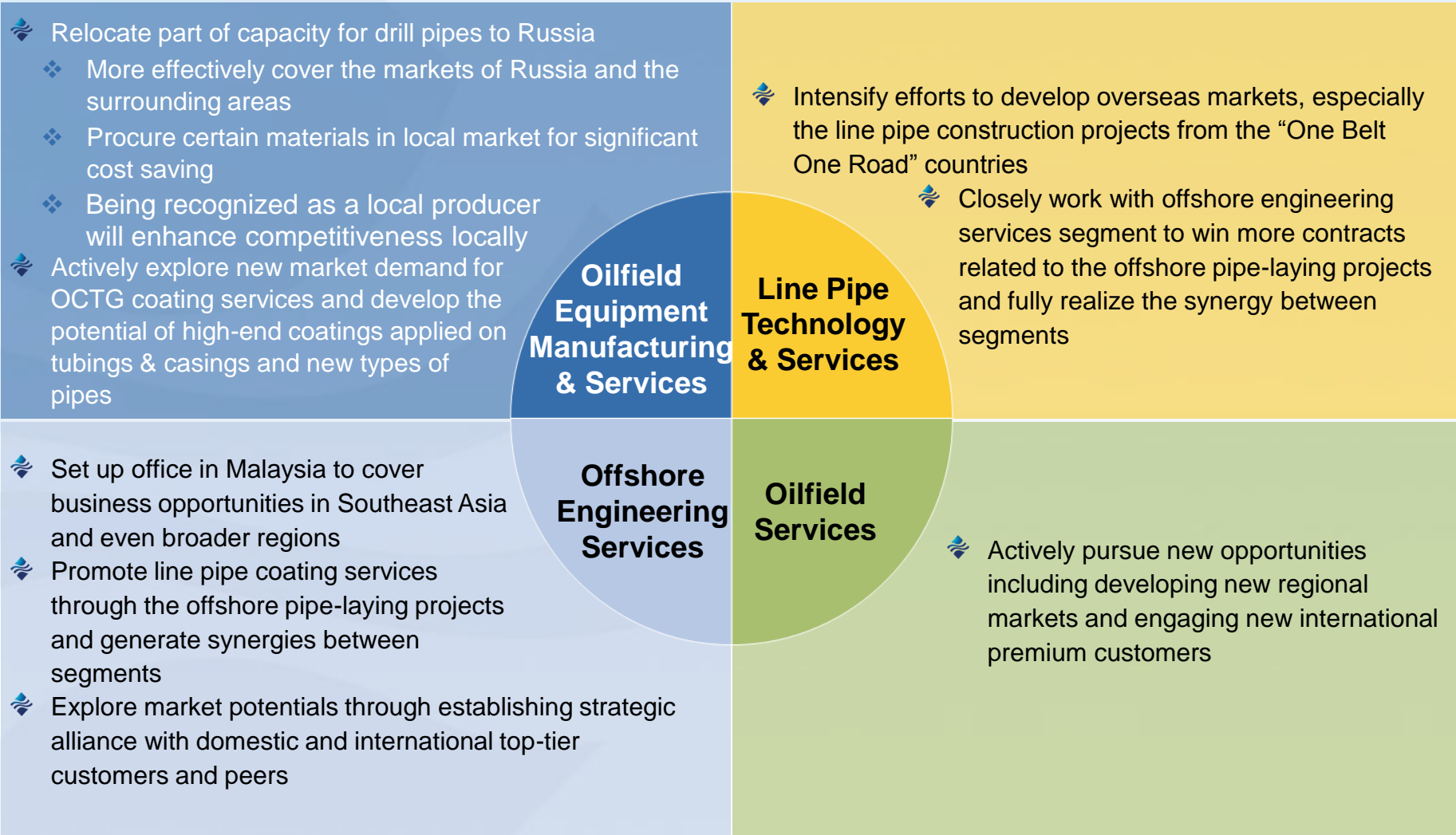
### Oilfield equipment manufacturing & services

Routine maintenance and upgrade for production lines



## Business Outlook

# New Development Opportunities After Temporary Market Difficulties





# Q & A