

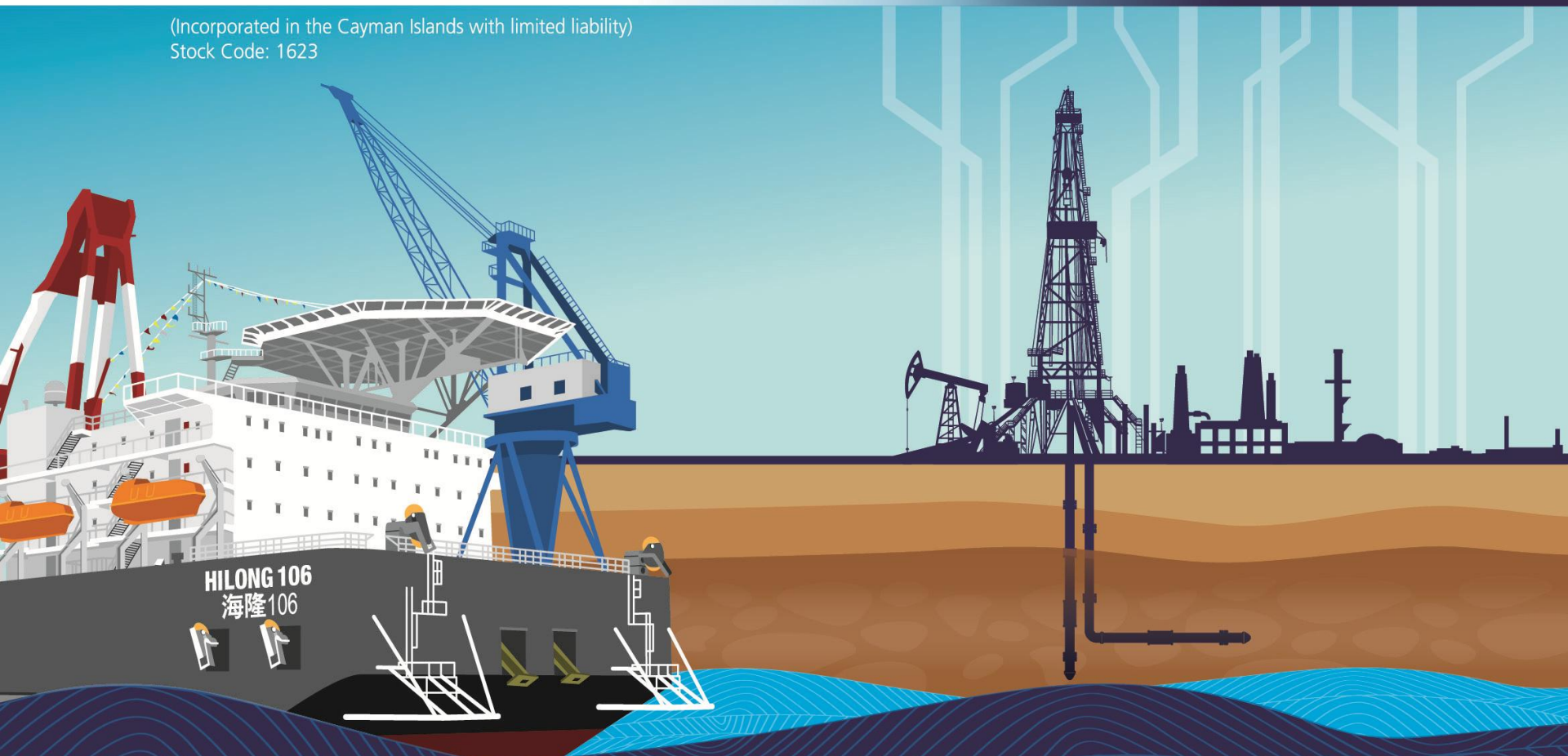


HILONG

海隆控股有限公司*

Hilong Holding Limited

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



2014 Annual Results Presentation

March 2015

Disclaimer



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1 Results Highlights

2 Business Review

3 Financial Performance

4 Business Outlook



Results Highlights

2014 Results Highlights



Full-year Operation Remained Steady

- ❖ Successfully maintained stable operation in 2014 in spite of volatile market conditions
- ❖ Achieved a total revenue of RMB2,576 million, ca. 5% growth as compared with 2013
- ❖ Recorded net profit of RMB398 million and Non-GAAP net profit of RMB413 million

New Business Structure Established

- ❖ Restructured existing segments and established and launched new businesses
- ❖ Steadily developed matured businesses and actively sought new growth drivers
- ❖ New businesses including offshore engineering services and line pipe inspection services ready to be or already launched

Remarkable Results Achieved for Overseas Expansion

- ❖ Significant progress in overseas sales and capacity expansion with revenue contribution from overseas markets further increased
- ❖ New high-end drilling rigs commenced operation in Nigeria
- ❖ Successfully acquired overseas coating plants which significantly expanded capacity and improved the service capability
- ❖ Achieved new progress in sales of drill pipes and line pipe coating services in the international markets

Tremendous Accomplishments for R&D work

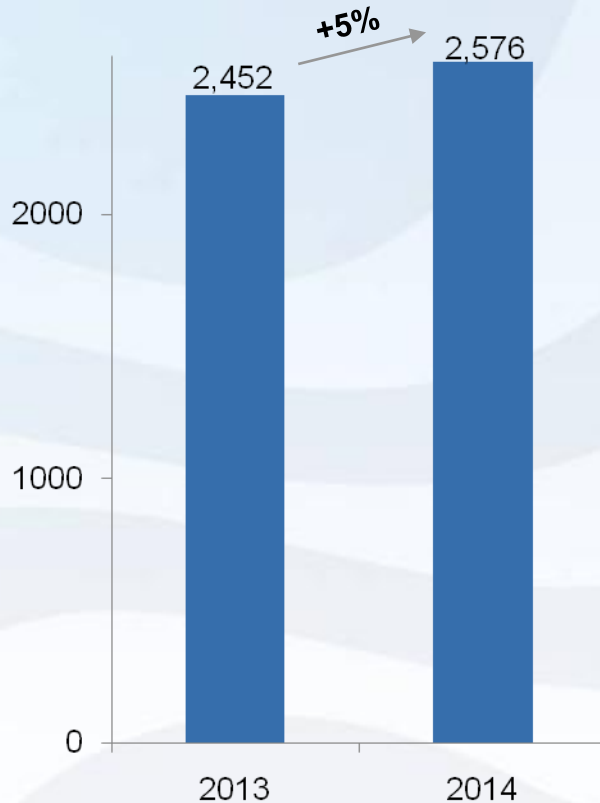
- ❖ Continue to make achievements in the field of R&D
- ❖ Obtained 14 patents for R&D of drilling tools
- ❖ Accelerating the R&D work for special offshore pipes and new coating materials used on offshore vessels and for offshore engineering purposes

2014 Financial Overview



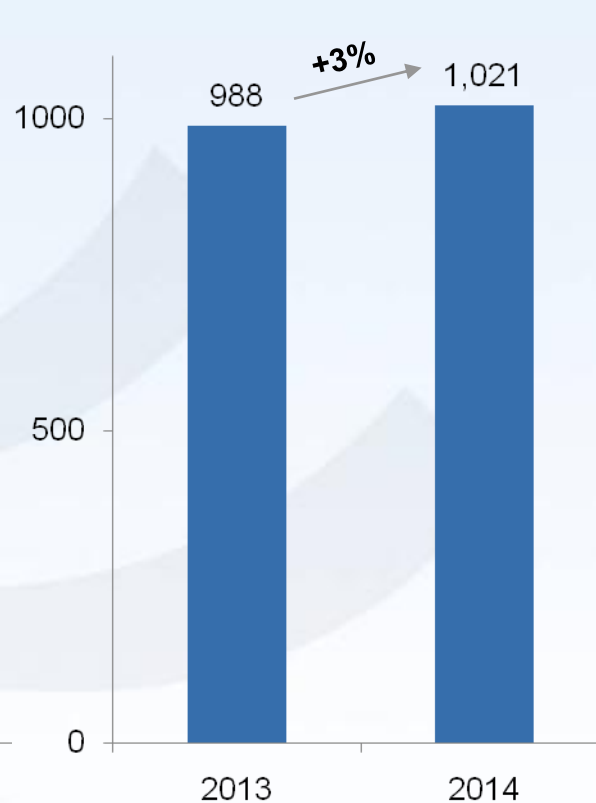
Total Revenue

RMB MM



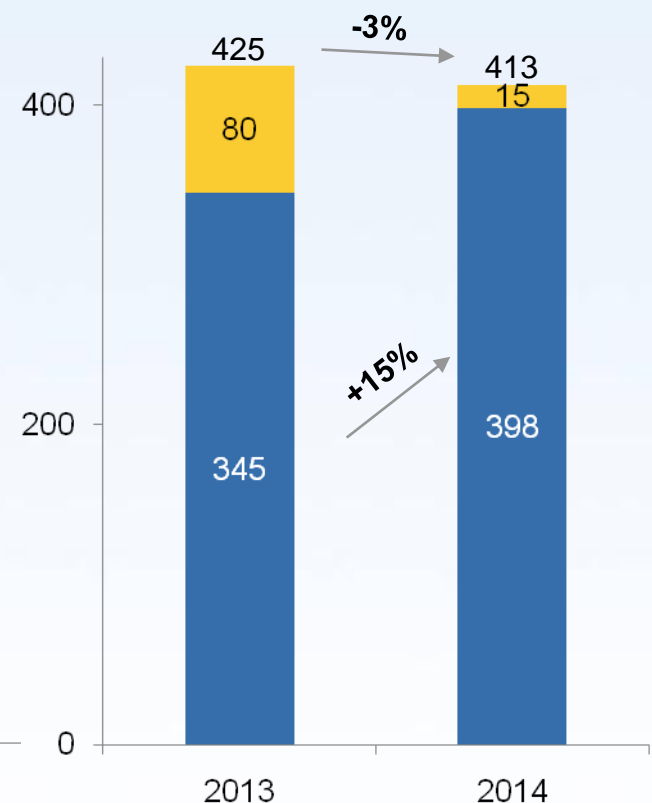
Gross Profit

RMB MM



Net Profit to Equity Owners

RMB MM



■ Net profit
 ■ Non-GAAP adjustment ⁽¹⁾

Note:

1. Non-GAAP adjustment includes losses in changes in fair value of the embedded derivative of the convertible bonds, fair value losses/(gains) on swap and certain share-based compensation expenses



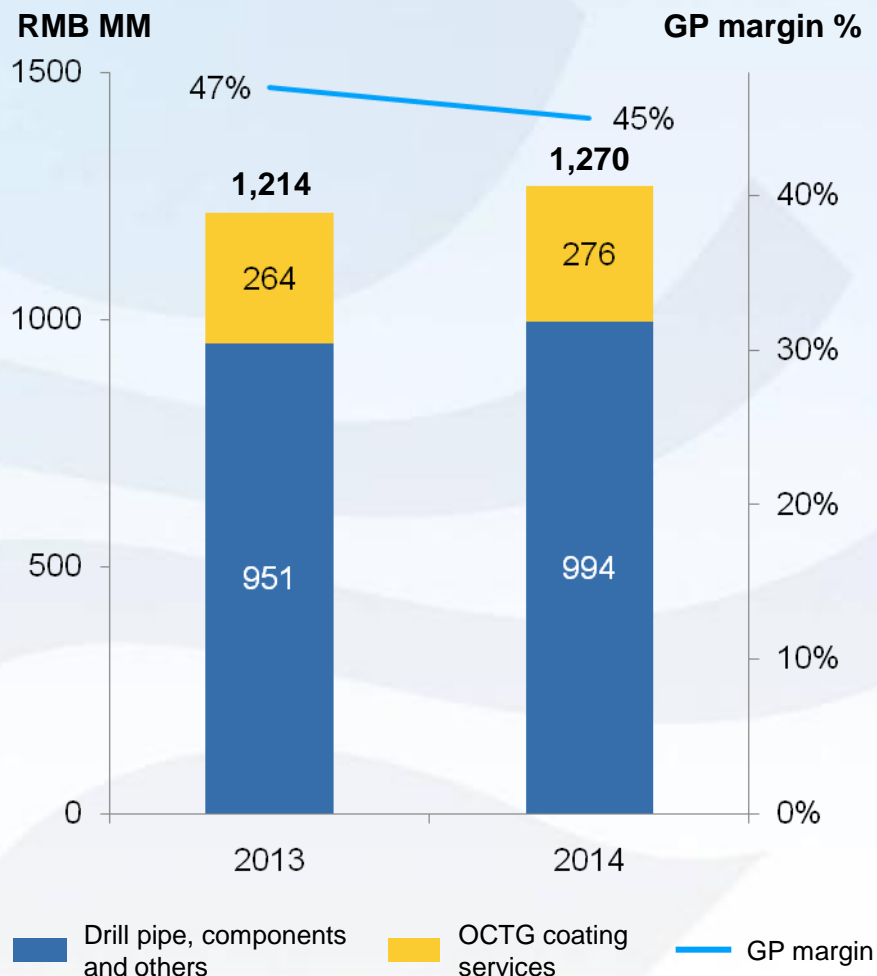
Business Review

Oilfield Equipment Manufacturing and Services



Segment Revenue: +5%

Maintain Advantages in Domestic Market and Focus on Overseas Sales Development



Drill pipe and related products

- ❖ Achieved a significant growth of 14% in sales volume
- ❖ Maintained a leading and stable market position in China with sales volume steadily recovered since 2H 2014
- ❖ Made a remarkable breakthrough in overseas sales – overseas revenues significantly increased by 79% and contributed more than 60% of total drill pipe sales
- ❖ Harvested notable progress in developing and promoting high-end products

OCTG coating services

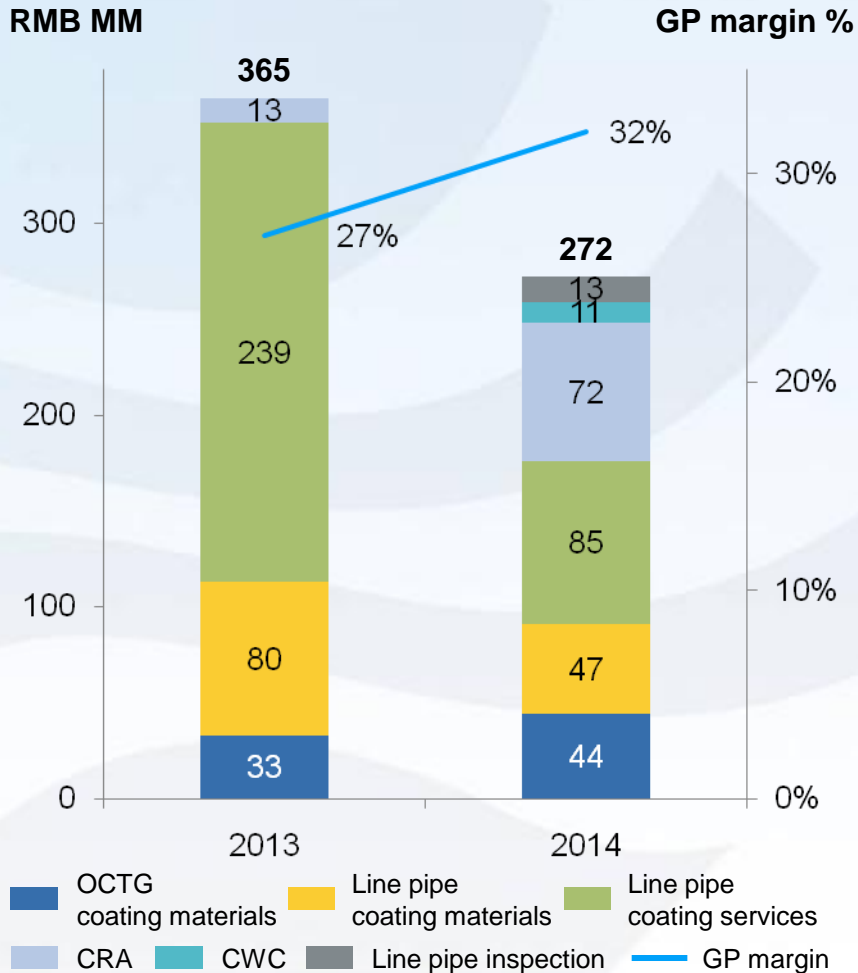
- ❖ Accelerated capacity expansion in overseas markets
- ❖ Acquisition of the overseas coating plants significantly expanded capacity and contributed to promoting advanced technology and enhancing the international market influence of Hilong brand

Line Pipe Technology and Services



Segment Revenue: -26%

Explore the Overseas Markets and Foster New Business



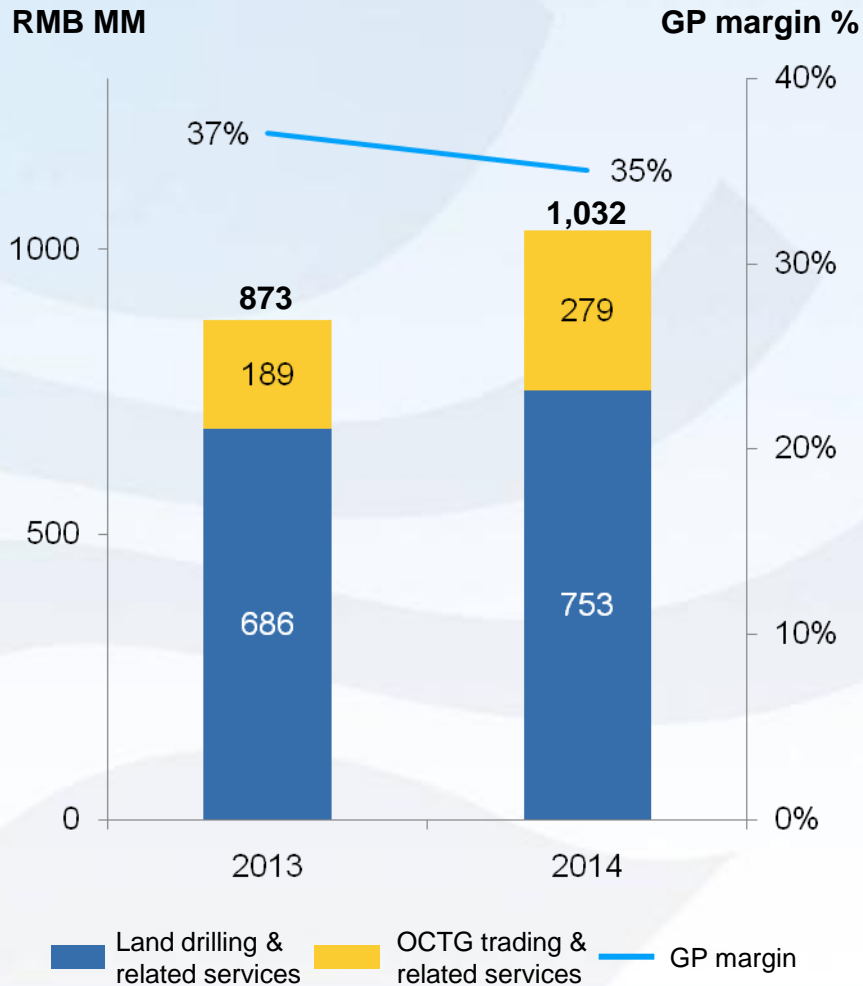
- ❖ Moved to overseas markets for traditional line pipe coating services and achieved remarkable progress
 - Line pipe coating service project for APA Group in Australia
- ❖ Great development potential for new businesses
 - ❖ CRA and CWC already generated revenue though still in the early stage of development
 - CRA projects from CNPC's Tarim Oilfields and Sichuan Oil and Gas Construction Engineering
 - CWC contract related to the APA Group Project in Australia
 - ❖ Line pipe inspection services already launched with outstanding technical advantage and service capability recognized by the market
 - Internal inspection projects for onshore gas pipelines from CNPC
 - Internal inspection project for offshore gas pipelines from CNOOC

Oilfield Services



Segment Revenue: +18%

High-end Services Recognized by the Market Along with Development of Comprehensive Services



- ❖ Reinforced leading market position in high-end drilling services
- ❖ The first 3,000HP high temperature high pressure drilling rig HL-27 successfully operated and highly recognized by the customer
- ❖ Established higher benchmark for Hilong onshore drilling services
- ❖ Strengthened market position in local high-end drilling services field
- ❖ Comprehensive services also developed along with drilling services
- ❖ OCTG trading and related services recorded remarkable development and gradually grew into a stable revenue source
- ❖ Already built up teams for comprehensive services including mud engineering service and will further broaden the business horizon

Offshore Engineering Services



To Be Launched Soon with Preparation Work Fully Completed

Equipment all set

- ❖ The upgrade and renovation work for Hilong 106 was fully completed

Technical team in place

- ❖ An elite team for offshore engineering design service was built up
 - ❖ Provided strong technical support in winning major contracts
 - ❖ Offered technical consultation services to external customers and received wide recognition from the market



Operating system completely set up

- ❖ Security and operational systems were all established
- ❖ Obtained a number of certificates and qualifications required for operation

Successful debut for marketing

- ❖ Successfully obtained two major contracts from CNOOC
 - ❖ Offshore pipe-laying work for Weizhou Phase II Project
 - ❖ Offshore pipe-laying work for East China Sea Project
- ❖ Look overseas – extensively explore the Southeast Asian markets and actively look for more opportunities

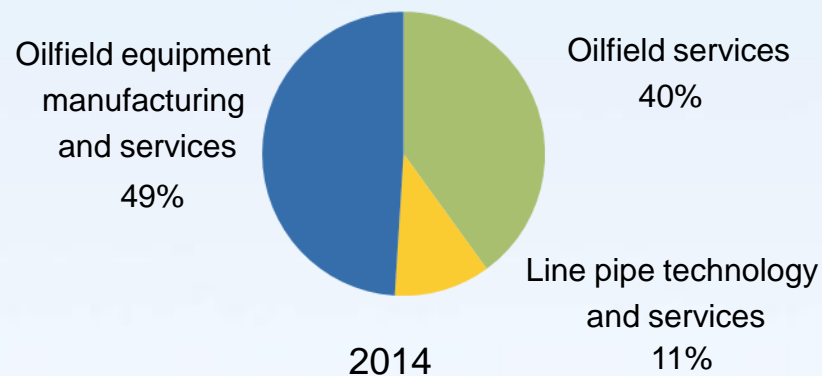
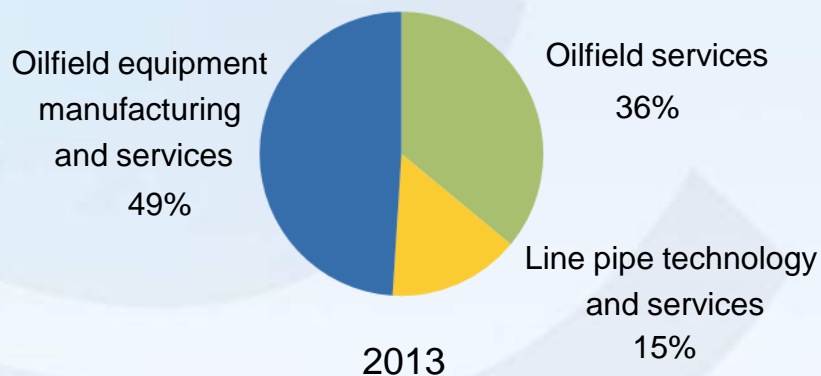


Financial Performance

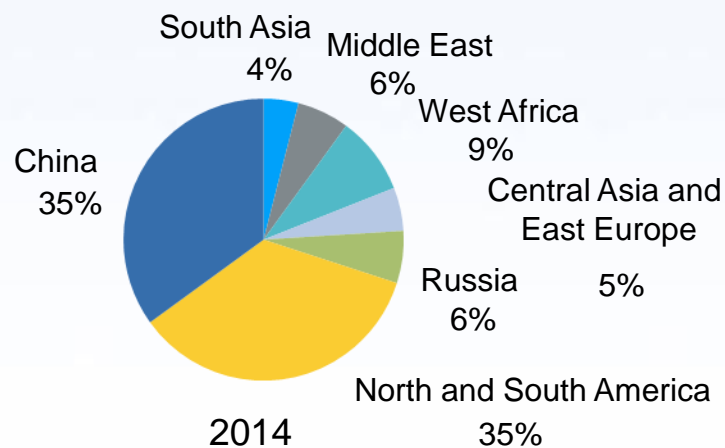
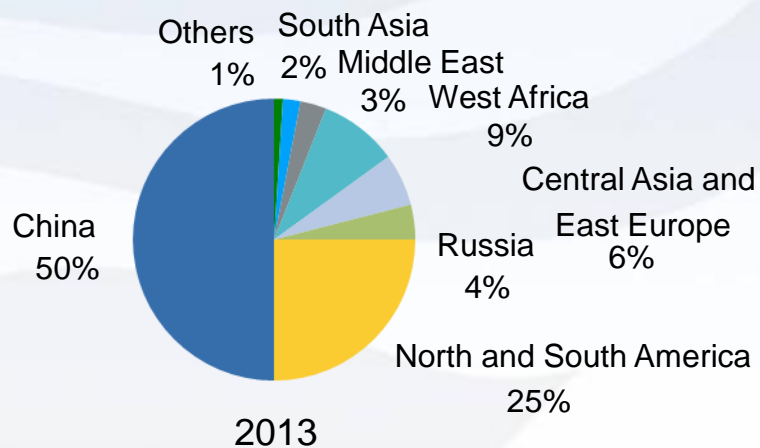
Revenue Breakdown



Revenue Breakdown by Segments (1)



Revenue Breakdown by Geography



Note:

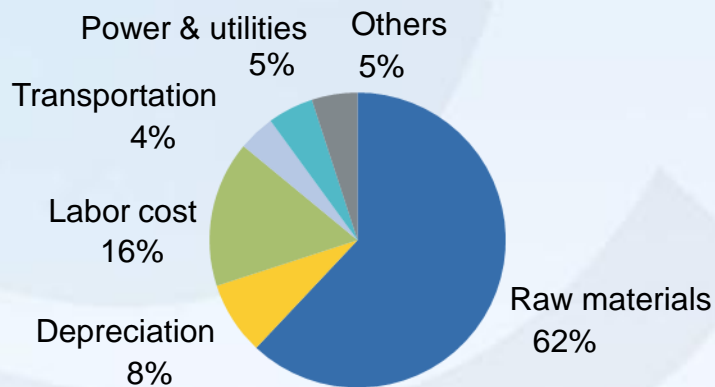
1. Revenue contribution by offshore engineering services was ca. 0.1% in 2014

Cost and Gross Profit Analysis

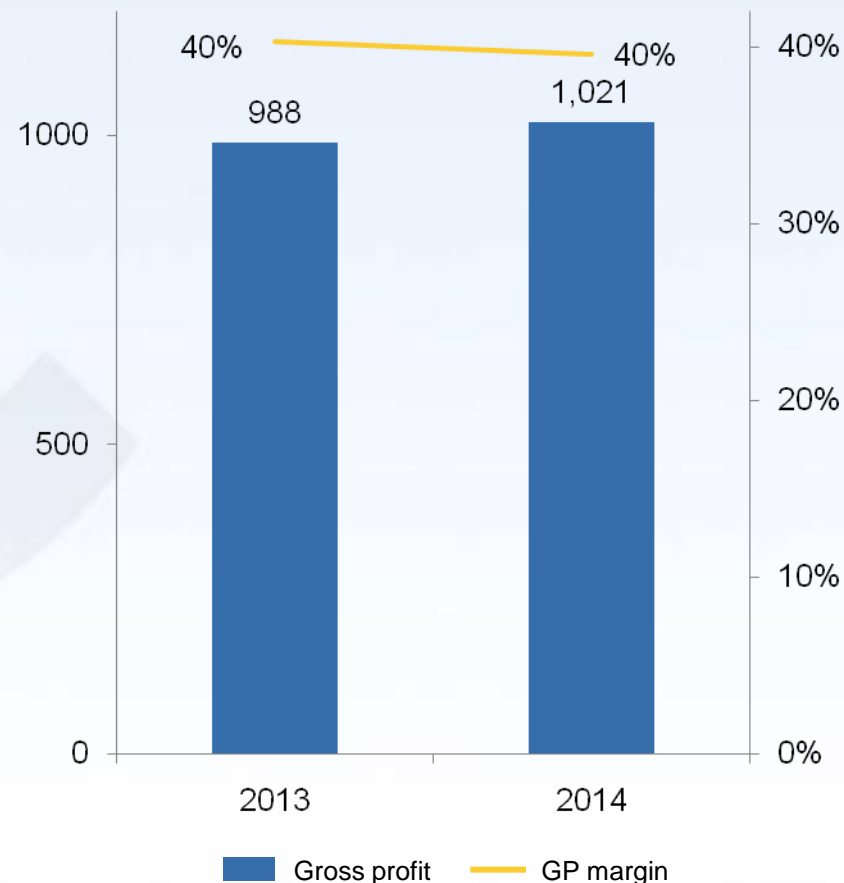


2013 Total Cost: RMB1,464 MM

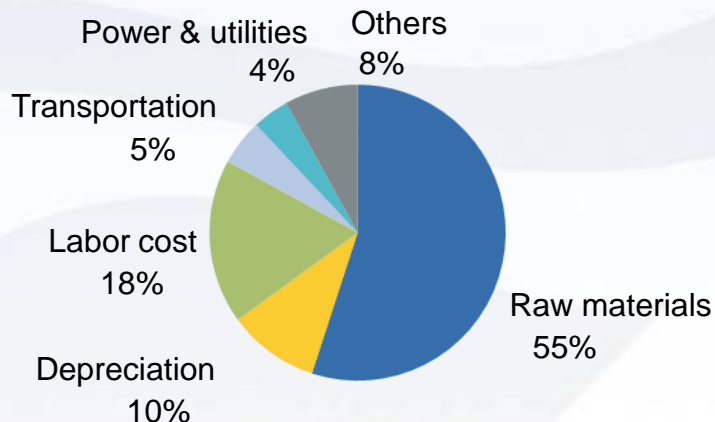
Gross Profit Slightly Increased with Stable Margin



RMB MM **GP margin %**



2014 Total Cost: RMB1,555 MM



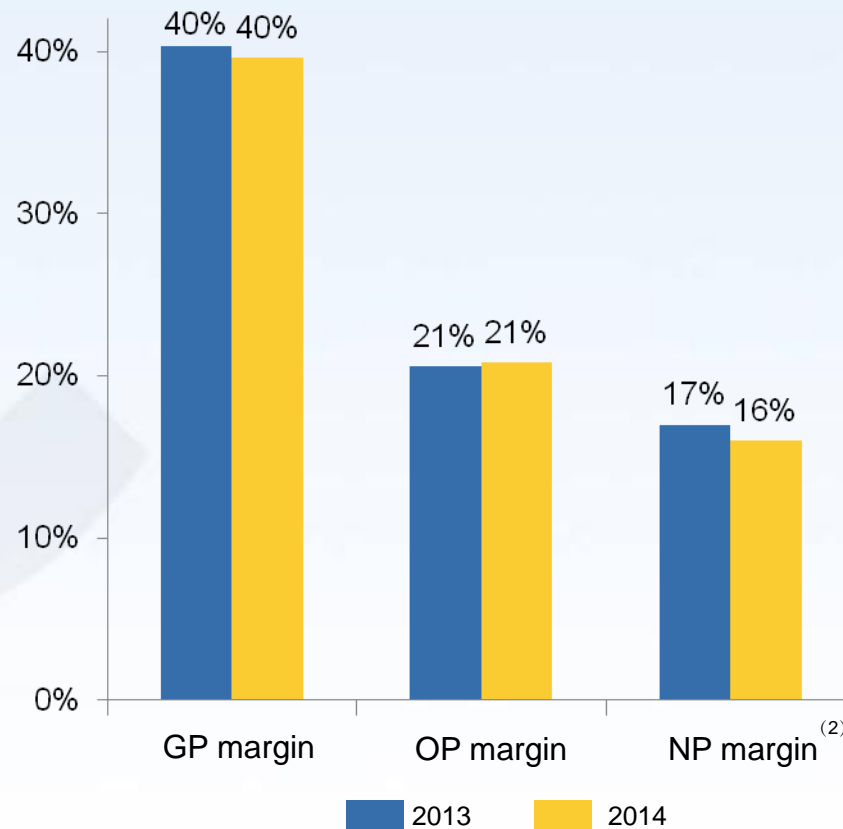
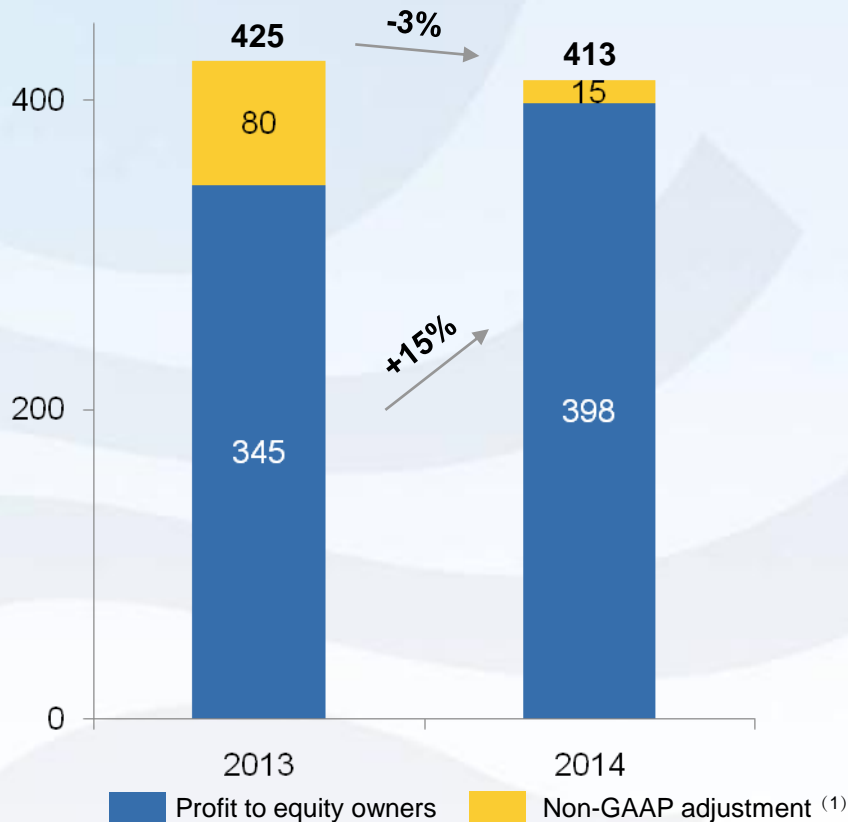
Profitability



Net Profit Remained in Line with That in 2013

Profitability Relatively Stable at Various Level

RMB MM



Note:
 1. Non-GAAP adjustment includes losses in changes in fair value of the embedded derivative of the convertible bonds, fair value losses/(gains) on swap and certain share-based compensation expenses
 2. NP margin is after Non-GAAP adjustment

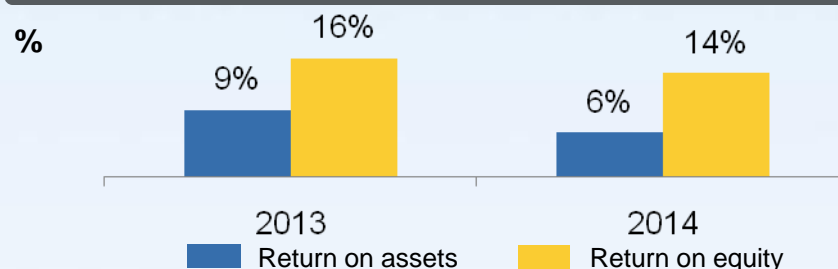
Capital Structure and Return



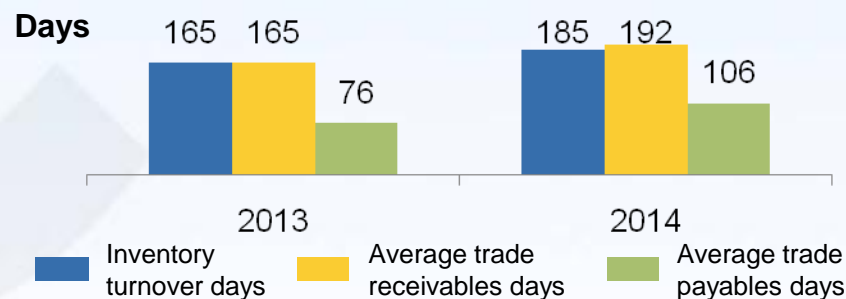
Capital Structure

RMB MM	2013	2014
Operating cash flow	174	261
Cash & cash equivalents	391	548
Current assets	2,794	3,352
Total assets	4,807	6,627
Short-term debt	654	833
Long-term debt	507	1,630
Total liabilities	1,934	3,484
Shareholders' equity	2,655	2,918
Minority interest	218	225
Total equity	2,874	3,143

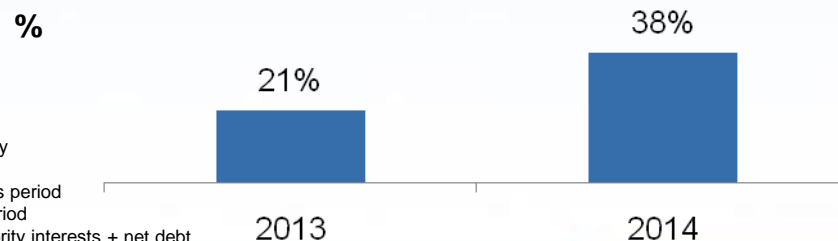
Return on Assets & Return on Equity (1)



Turnover Days for Current Assets (2)



Gearing Ratio: Net Debt / Total Capital (3)



Note:

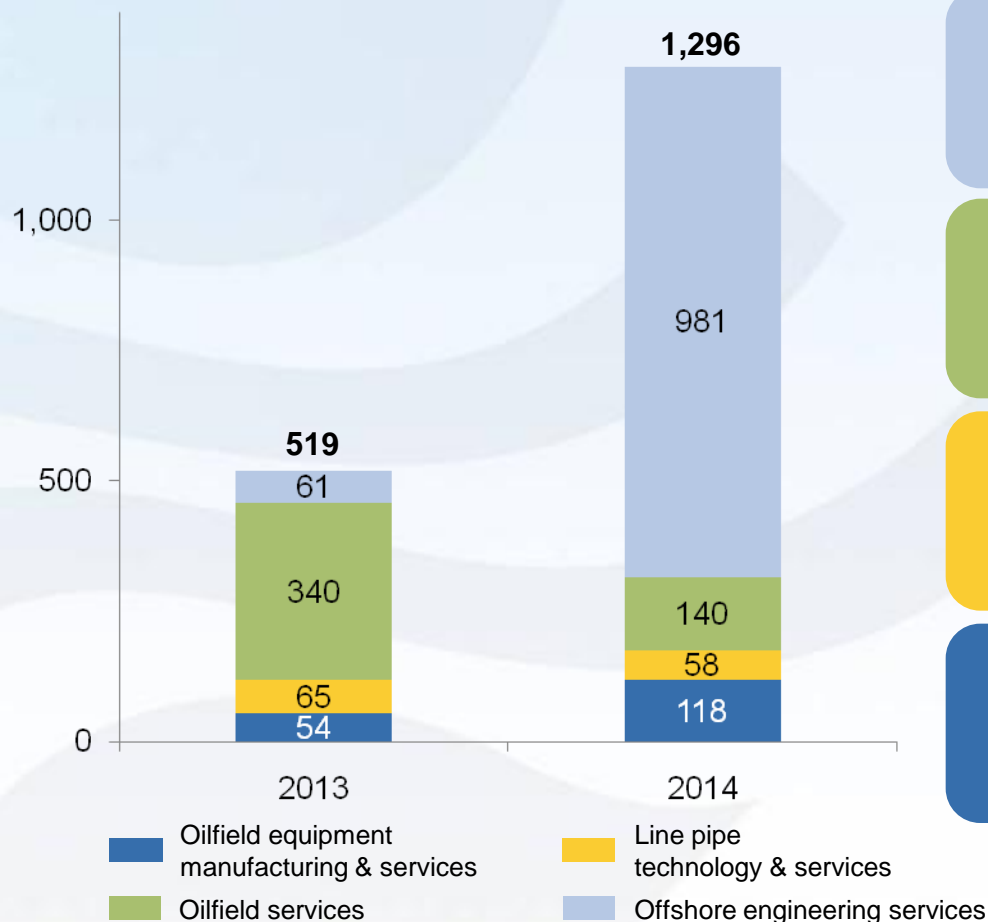
1. Non-GAAP net profit / ending balance of total assets; Non-GAAP net profit / ending balance of shareholders' equity
2. Inventory days = days in the period * average inventory of this period / cost of sales of this period
Average trade receivables days = days in the period * average net trade receivables 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
3. Net Debt = Long term debt + short term debt - cash and cash equivalents, total cap = shareholders' equity + minority interests + net debt

Capital Expenditure



2014 Capital Expenditure Breakdown

RMB MM



Major Capital Expenditure Projects in 2014

Offshore engineering services

Purchase of Hilong 106 and the subsequent upgrade expenses

Oilfield services

Procurement of rig components

Line pipe technology and services

Upgrade expenses for CRA production line

Oilfield equipment manufacturing & services

Upgrade expenses related to OCTG coating plants

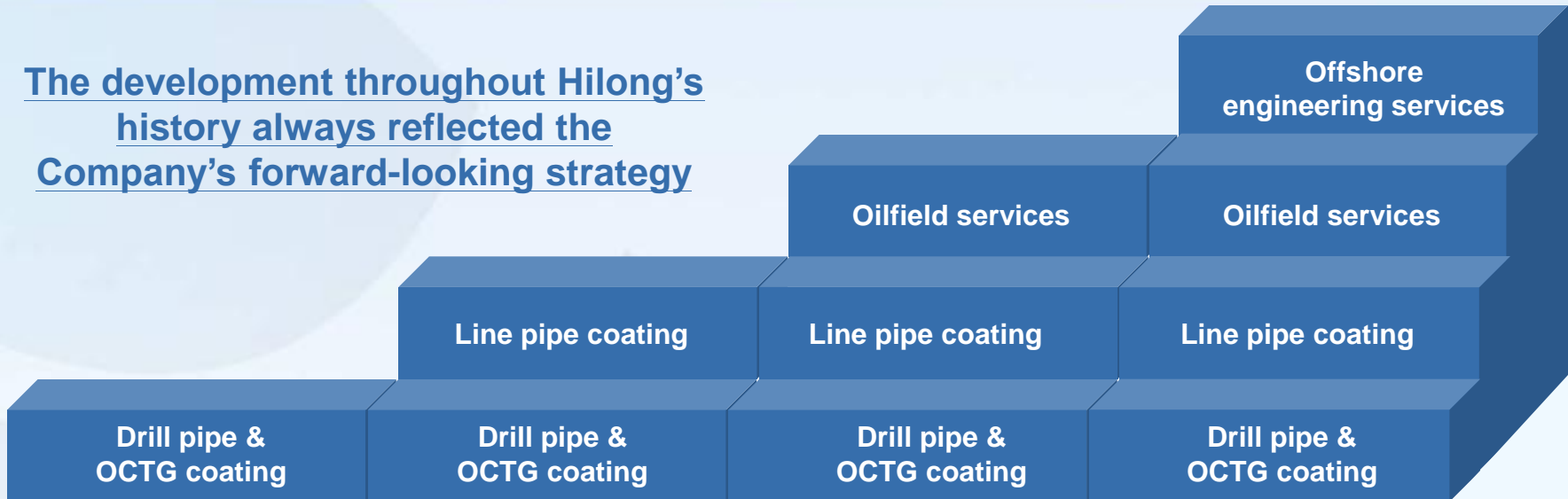


Business Outlook



Hilong's Development Always Ahead of Market Trend

The development throughout Hilong's history always reflected the Company's forward-looking strategy



Since the beginning of Hilong's history, **drill pipe and OCTG coating** businesses have become the Company's stable foundation for development

Seized the opportunities brought by large domestic projects, **line pipe coating** business started to contribute considerable revenues

Gradually recognized by the market, **oilfield services** business became the new growth driver and an important revenue source

A new business structure was fully established and **offshore engineering services** will inject new impetus for Hilong's future development

Early 2000s 2002 2003~2004 2005~2006 2007~2008 2011~2013 2013~2014 Since 2015

Established Hilong and the basis for **drill pipe and OCTG coating** businesses

Built up **line pipe coating** business

Set up **oilfield services** and became one of the first Chinese private OFS providers entering into overseas markets

Followed the new development trend of global energy industry and marched into offshore oil and gas business field starting with **offshore engineering services**

Steadily Develop Matured Business and Inject Growth Impetus Brought by New Business



Oilfield Equipment Manufacturing and Services

- ❖ Maintain stable sales of drill pipe products
 - ❖ Continue to focus on developing the overseas markets and reinforce the brand's international influence
 - ❖ Maintain the leading domestic market position and explore demand for high-end products from premium customers
- ❖ Continue to exploit the advantages of OCTG coating services
 - ❖ Fully utilize the advantages of TIPC to improve the operational efficiency of the other overseas plants and expand the overseas customer base
 - ❖ Maintain the stable operation in China and develop the market potential for coatings applied on tubings and casings

Line Pipe Technology and Services

- ❖ Put equal attention to domestic and international markets, balance the market risks through diversified projects and customers and improve overall competitiveness
- ❖ Make more endeavors to explore the markets for CRA and CWC, promote large-scale production and enhance profitability
- ❖ Accelerate development of line pipe inspection business and strengthen the market position

Oilfield Services

- ❖ Maintain steady development, further strengthen cooperation with international renowned customers and focus on building the high-end brand positioning
- ❖ Maintain stable operation and improve efficiency of existing rigs while keep exploring new market opportunities
- ❖ Continue to develop comprehensive services and enhance service capability

Offshore Engineering Services

- ❖ Ensure the successful operation of Hilong 106 in the first year and establish a track record in China
- ❖ Actively seek business opportunities in overseas markets
- ❖ Promote the development of CRA and CWC through offshore pipe-laying projects and generate synergies between the segments



Q & A