



海隆控股有限公司*
Hilong Holding Limited

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



2013 Annual Results Presentation

March 2014

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1 Results Highlight

2 Business Review

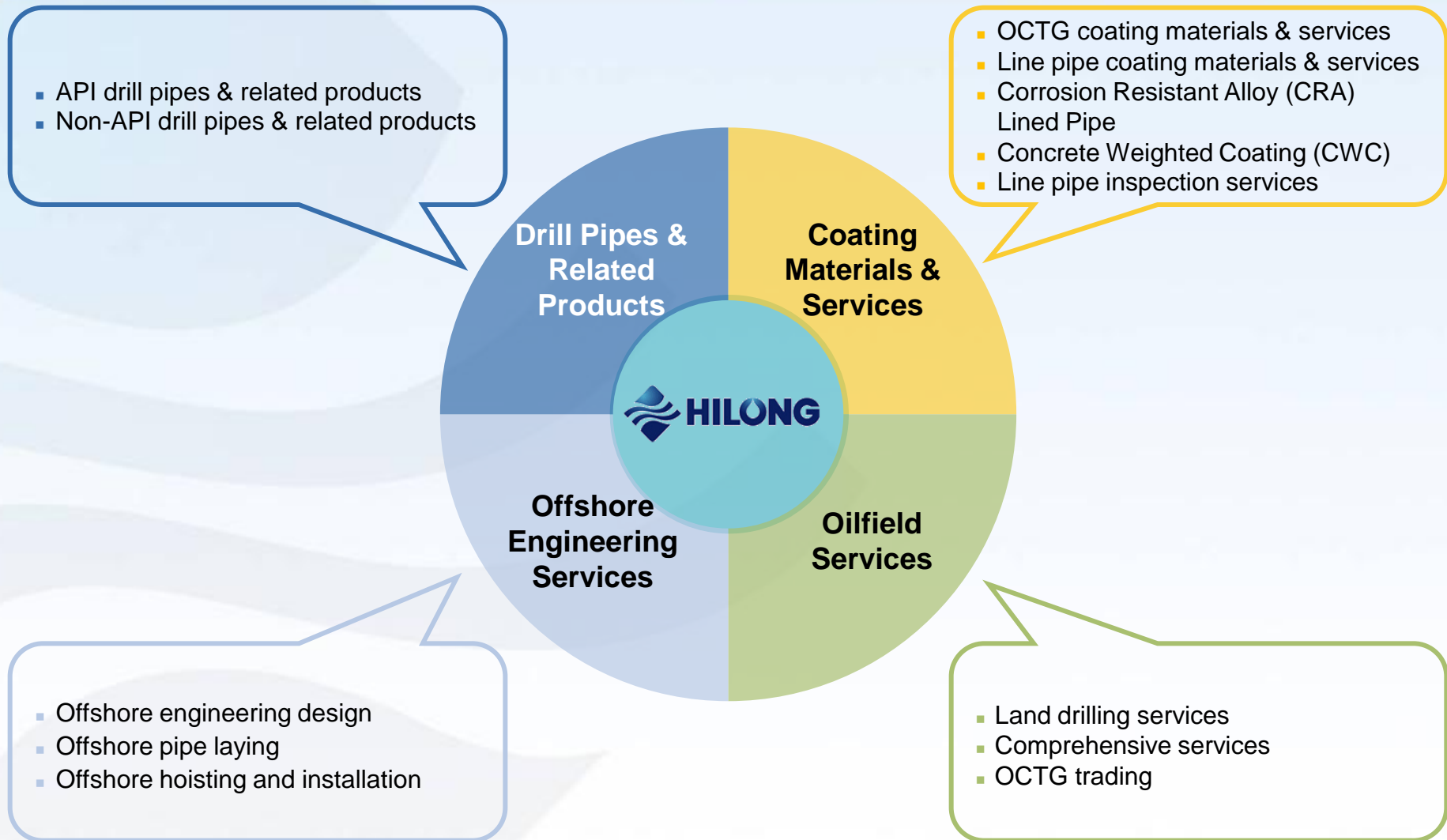
3 Financial Performance

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Results Highlight

Matured Business Achieved Steady Growth/ New Business Has Huge Potential



Successful Expansion of New Business/ Continued Focus on High-end Services



Newly-developed Services to Provide New Growth Drivers to Coating Business



- ❖ Achieved significant breakthrough in processing large caliber CRA lined pipes and successfully turned into a large caliber CRA services provider
- ❖ Secured key contracts for CWC and demonstrated strong capability of providing offshore line pipe coating services
- ❖ Line pipe inspection business equipped with leading technology to be launched soon with huge market potential

Entering Higher-end Oilfield Service Markets

- ❖ The 2013 service agreement with Shell to provide 3,000HP high temperature and high pressure drilling services⁽¹⁾ marked Hilong's advance into higher-end oilfield services market
- ❖ Capable of offering world-class services for land drilling and highly recognized by internationally renowned customers
- ❖ Further strengthened influence in the high-end markets and made breakthrough for future development



Note1 : The drilling rig has already commenced operation in Nigeria on 27 February, 2014

New Growth Era Driven by the Offshore Engineering Services to Be Launched Soon



Successfully Signed the Purchase Agreement

- ❖ The pipe-lay vessel “Hilong 106” is expected to start operation in 2014, representing the expansion of oilfield services into offshore
- ❖ Will realize synergy for CWC, promote the extension and integration of the value chain of the offshore line pipe network construction and lay a solid foundation for Hilong to provide EPCI services



Huge Growth Potential

- ❖ China and Southeast Asia have rich offshore oil & gas resources and huge potential offshore line pipe demand
- ❖ Compared with other resource-rich regions, the construction of the offshore line pipe in China is still at an early stage
- ❖ China’s three national oil companies are all accelerating the construction of offshore line pipes. During the 12th five-year period, the line pipe construction⁽¹⁾ for CNOOC alone will reach 15,000km
- ❖ Oil & gas exploration and production activities are concentrated in shallow water in China and Southeast Asia
- ❖ China’s current offshore pipe-lay supply cannot fulfill the demand in the domestic and international offshore area. Pipe-lay vessels with capacity to operate in the shallow water area under 300m depth see great potentials

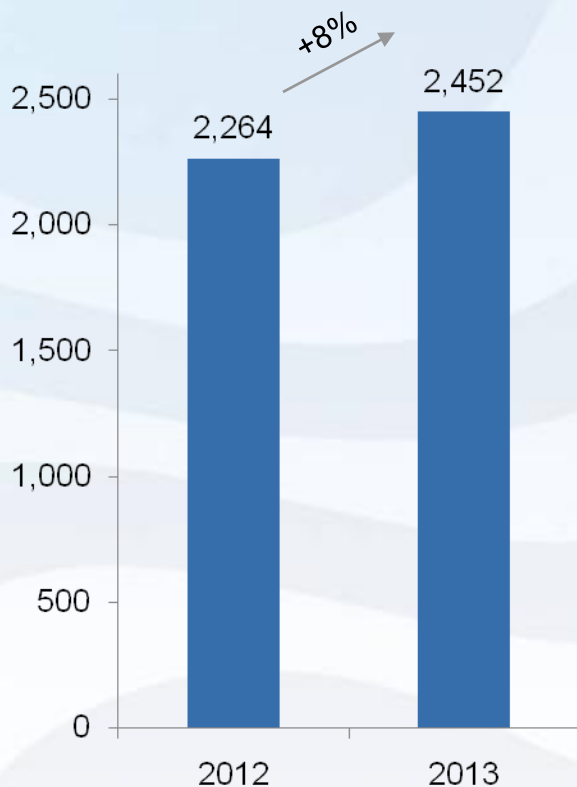
Note 1: Including the line pipes for oil & gas production, coastal natural gas line pipe network and LNG transmission

Revenue and Profit Steadily Increased



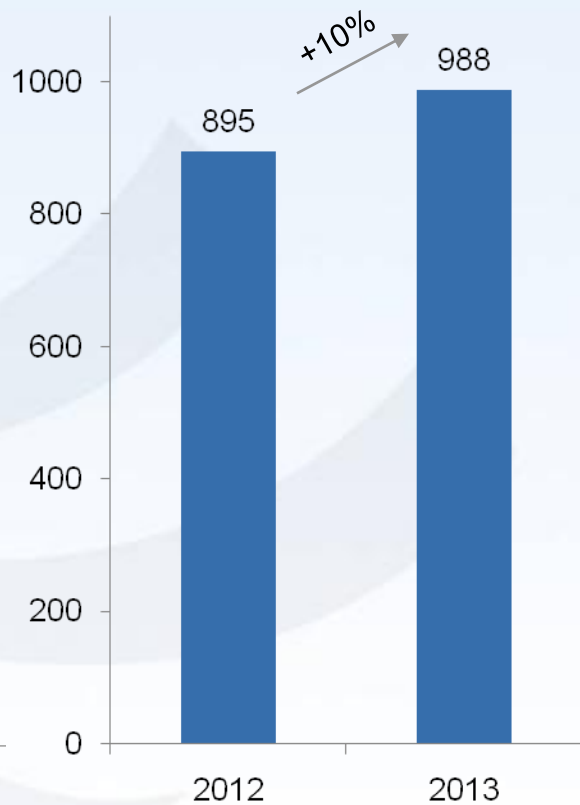
Total Revenue

RMB MM



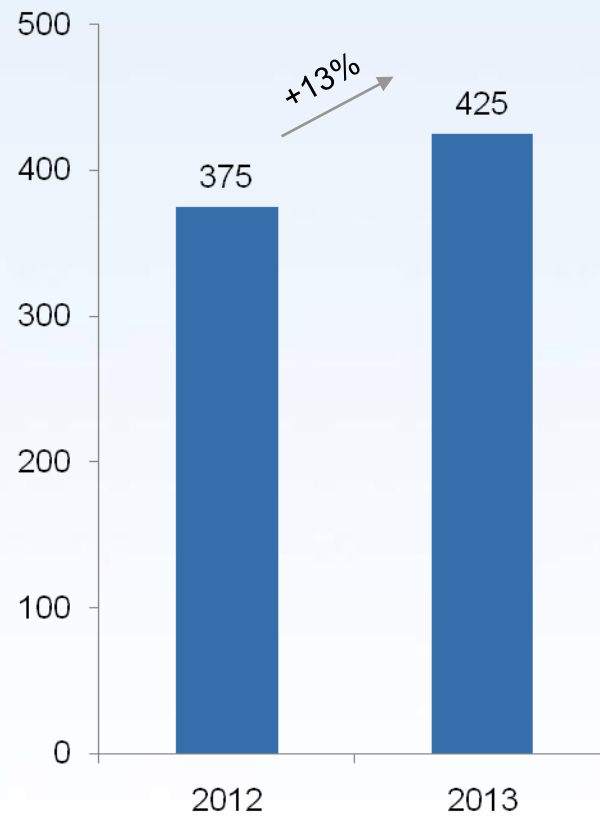
Gross Profit

RMB MM



Net Profit to Equity Owners⁽¹⁾

RMB MM



Note1: Represents Non-GAAP profit attributable to equity owners of the Company ; does not include 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

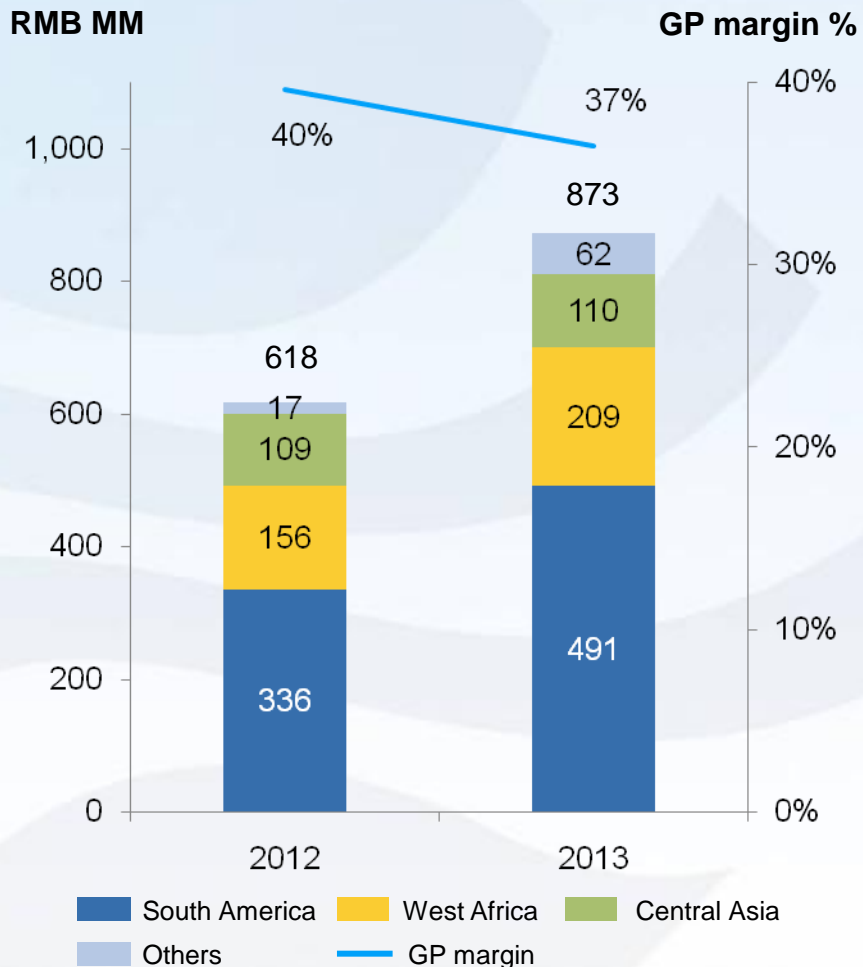


Business Review

Oilfield Services



Segment Revenue: +41% YoY



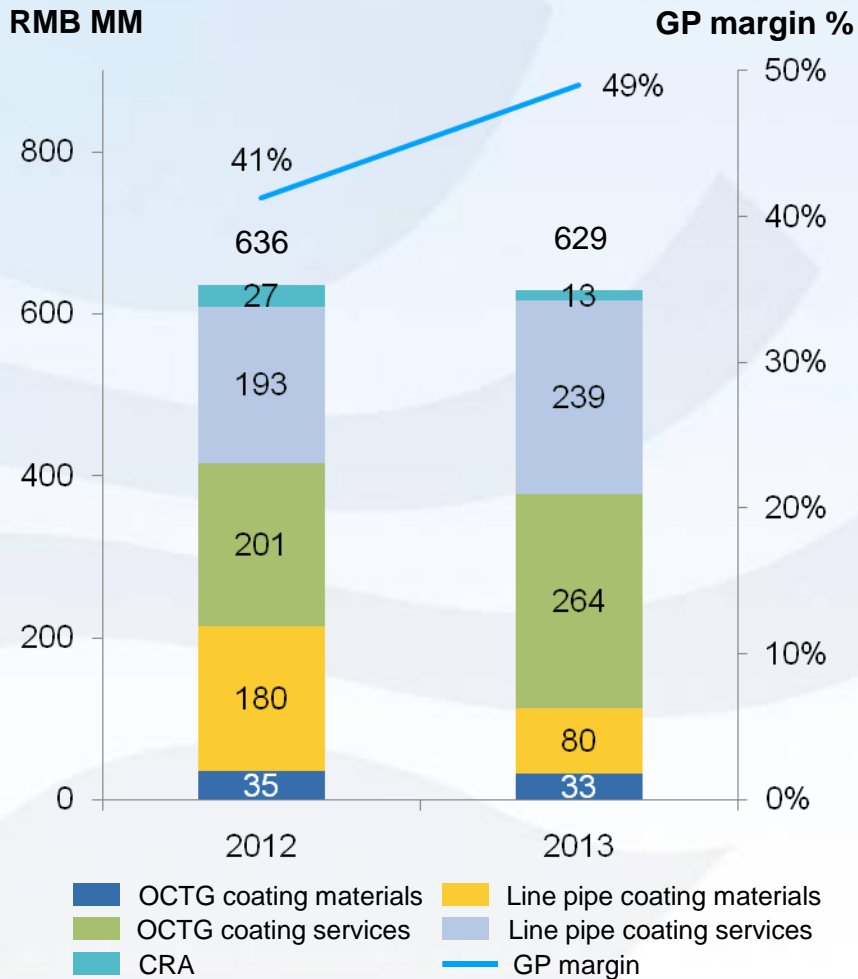
Serving the High-end Overseas Markets

Regional markets	South America	Nigeria	Pakistan	Kazakhstan
Equipment	Four 2000HP drilling rigs One 1500HP drilling rig Three 650HP workover rigs One swabbing unit	One 3000HP drilling rig Two 2000HP drilling rigs	One 2000HP drilling rig One 1500HP drilling rig	Two 750HP drilling rigs One cementing unit
Clients	Schlumberger CSSFD ANDES Petroamazonas EP SINOCHEN	Shell(Nigeria)	UEPL	KAM KOP
Services	Drilling service Horizontal drilling OCTG supply Well workover	Drilling service Horizontal drilling OCTG supply	Drilling service Horizontal drilling OCTG supply	Drilling service Horizontal drilling OCTG supply Cementing Drilling fluids

Coating Materials and Services



Segment Revenue Remained Steady



Actively Seek New Growth Drivers

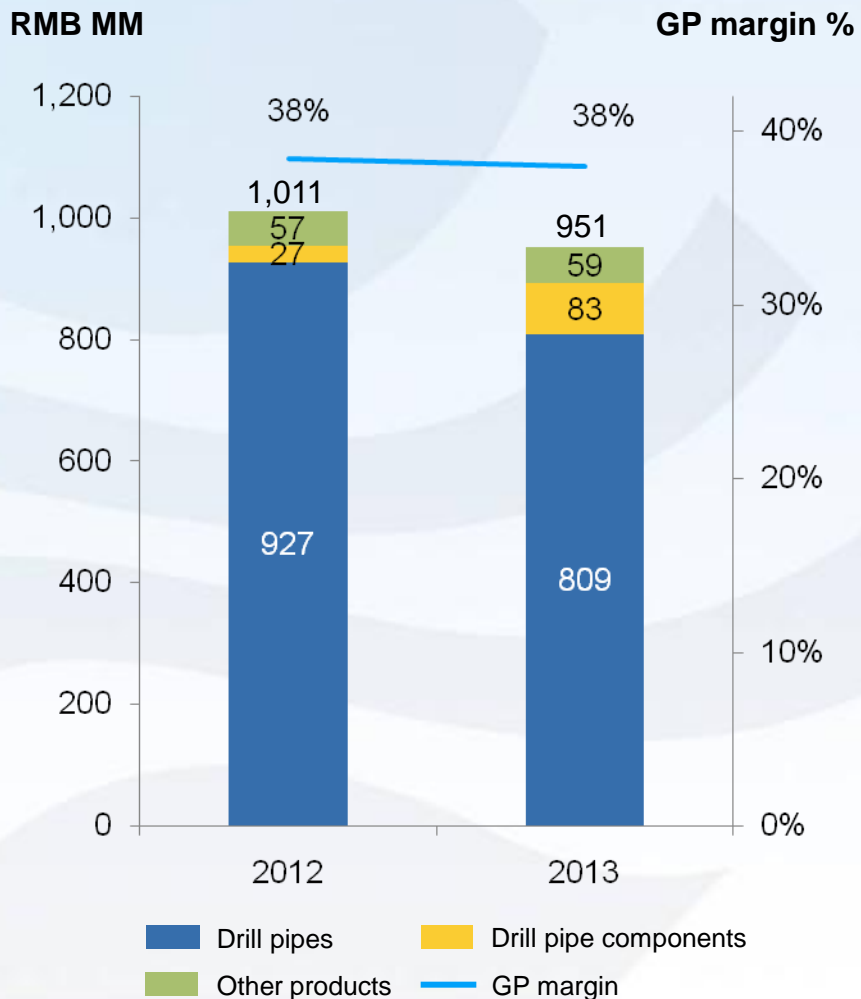
- ❖ Promote high margin products and improve the segment profitability
- ❖ Expanded OCTG coating capacity from the new plants in Sichuan and Canada
- ❖ Secured milestone projects for CRA and CWC and established track record
 - Tarim Oilfield CRA project
 - CNOOC CWC project
- ❖ Successfully developed overseas markets for line pipe coating services
 - APA project (Australia)
 - Missan Oilfield project (Iraq)
 - China Petroleum Technology & Development Corporation project (Tanzania)

Drill Pipes and Related Products



Segment Revenue Slightly Decreased (-6%)

Maintain Market Leadership



- ❖ Product structure further optimized via the promotion of high-end Non-API drill pipes
- ❖ The percentage of Non-API products increased to 32%
- ❖ A growing acceptance of Non-API products from overseas customers
- ❖ Sales of customized drill pipe components increased considerably and boosted sales of Non-API drill pipes
- ❖ Long-term and stable cooperation with key customers
- ❖ Strategic supply agreement with Sinopec and sustainable relationships with international renowned customers
- ❖ New relationships with Nabors and other customers

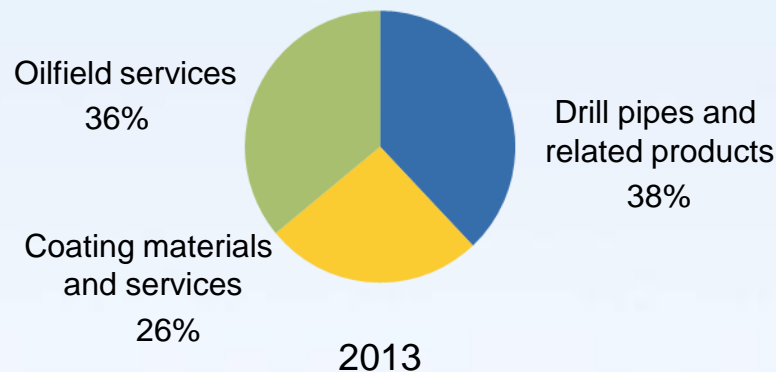
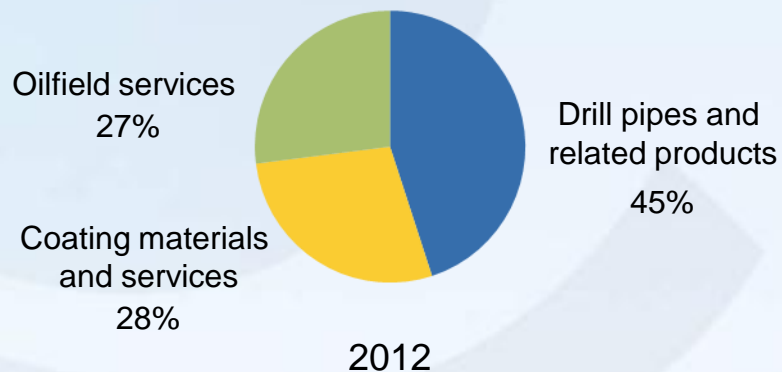


Financial Performance

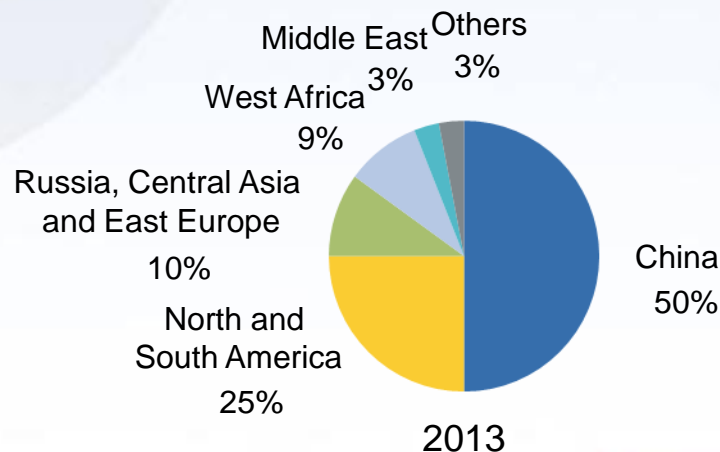
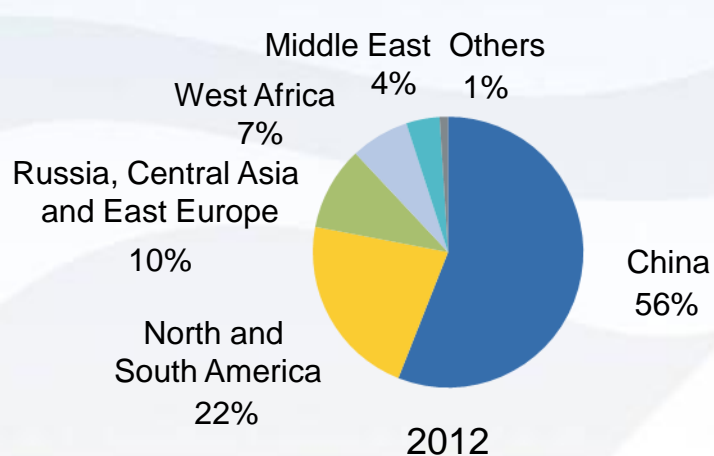
Revenue Breakdown



Revenue Breakdown by Products



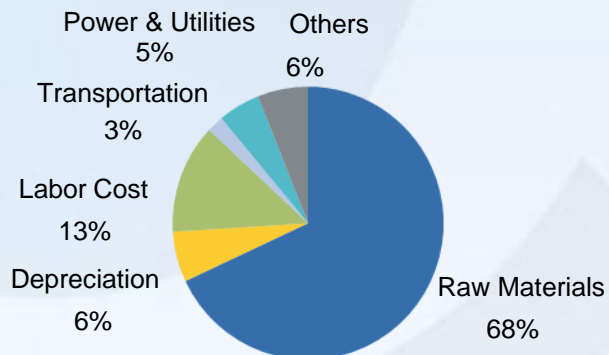
Revenue Breakdown by Geography



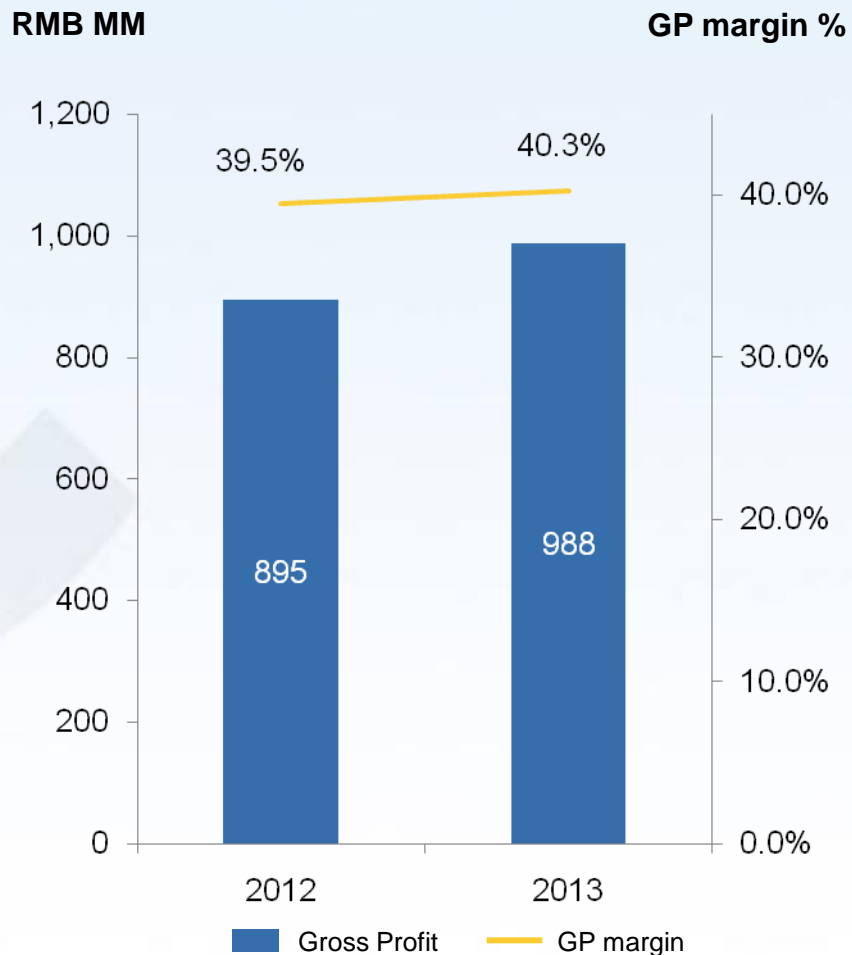
Cost and Gross Profit Analysis



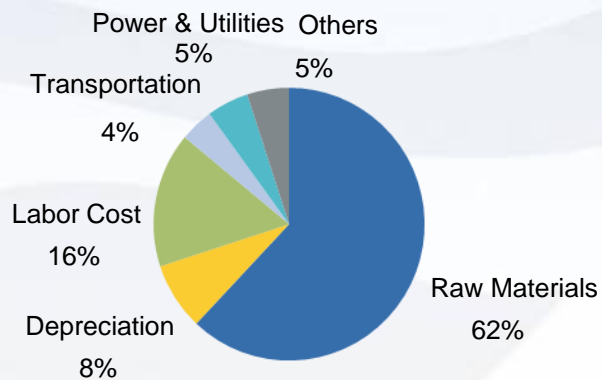
FY2012 Total Cost: 1,369MM



Gross Profit Increased by 10%



FY2013 Total Cost: 1,464MM



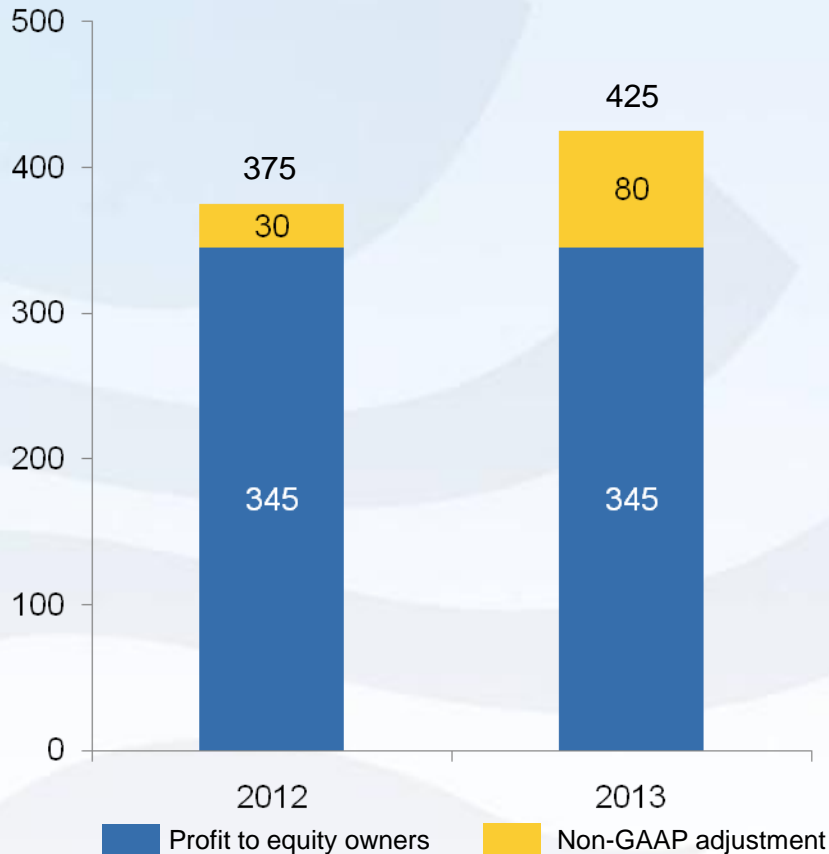
Profitability



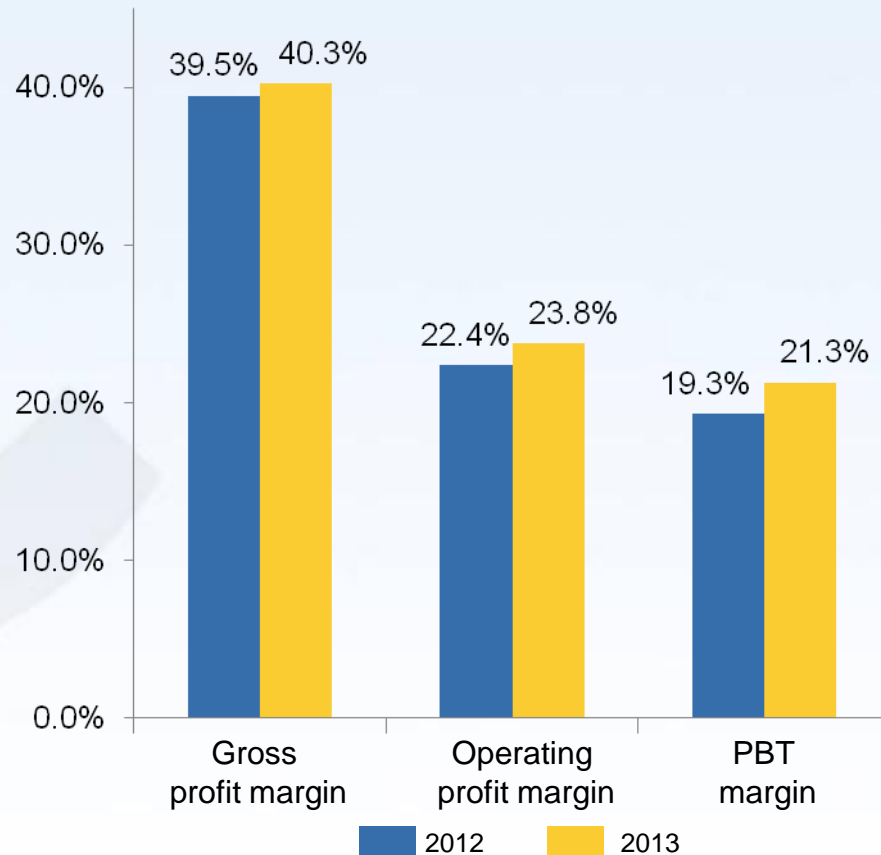
Non-GAAP Net Profit: +13%⁽¹⁾

All Levels Profitability Steadily Increased⁽²⁾

RMB MM



Margins



Note:

1. The Non-GAAP profit attributable to equity owners of the Company does not include 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. Operating profit margin and PBT margin are after Non-GAAP adjustment

Capital Structure and Return



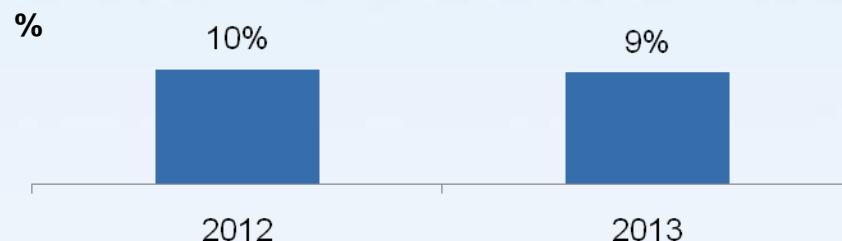
Capital Structure

RMB MM	2012	2013
Cash & cash equivalents	404	391
Current assets	2,458	2,794
Total assets	4,040	4,807
Short-term debt	646	654
Long-term debt	293	507
Total liabilities	1,735	1,934
Shareholders' equity	2,118	2,655
Minority interests	188	218
Total equity	2,305	2,874

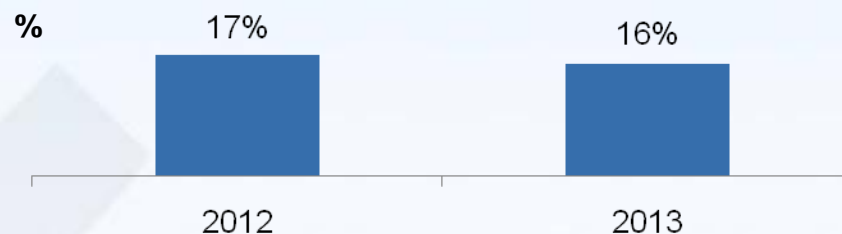
Note:

1. Non-GAAP Net profit / ending balance of total assets
2. Non-GAAP Net profit / ending balance of shareholders' equity
3. Net Debt = Long term debt + short term debt – cash and cash equivalents, total cap = shareholders' equity + minority interests + net debt

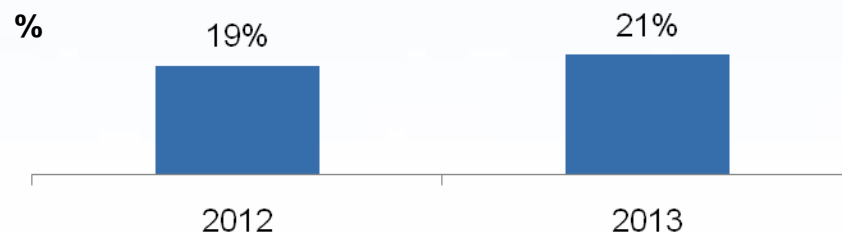
Return on Assets ⁽¹⁾



Return on Equity ⁽²⁾



Gearing Ratio: Net Debt/Total Cap ⁽³⁾

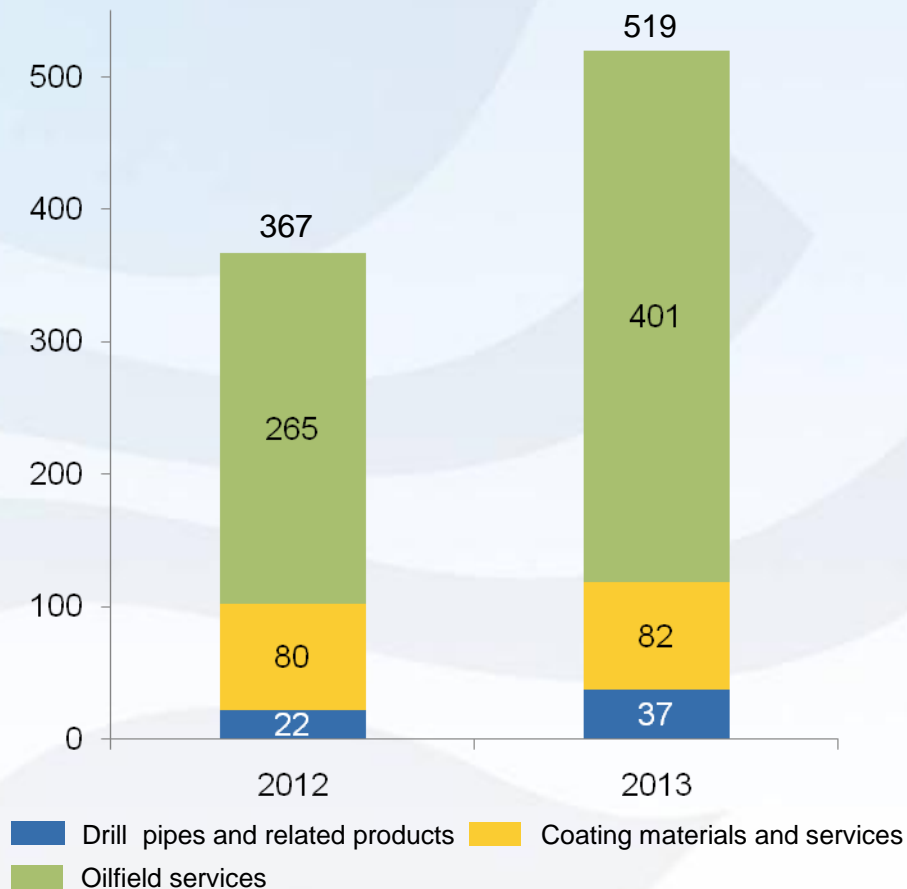


Capital Expenditure



Capital Expenditure Breakdown

RMB MM



Note 1: The prepayment for Hilong 106 paid in 2013 was included in the Capex for oilfield services segment in 2013.

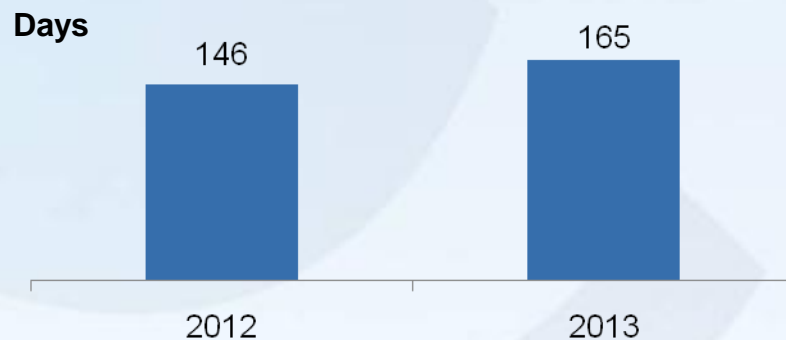
Major Capital Expenditure Projects

- Offshore Engineering Services⁽¹⁾**
 Purchase of pipe-lay vessel Hilong 106
- Oilfield Services**
 Purchase of 3 drilling rigs and 2 workover rigs
- Coating Materials and Services**
 New OCTG coating services plants in Sichuan and Canada
- Drill Pipes and Related Products**
 Maintenance Capex

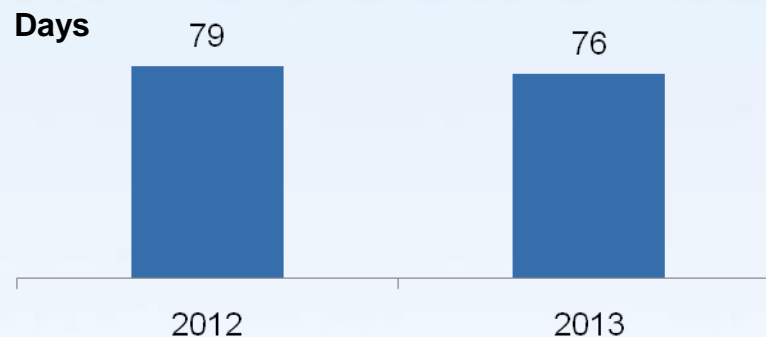
Liquidity and Turnover Days



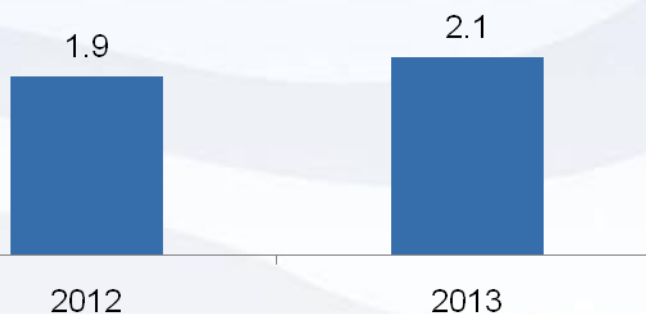
Inventory Turnover Days ⁽¹⁾



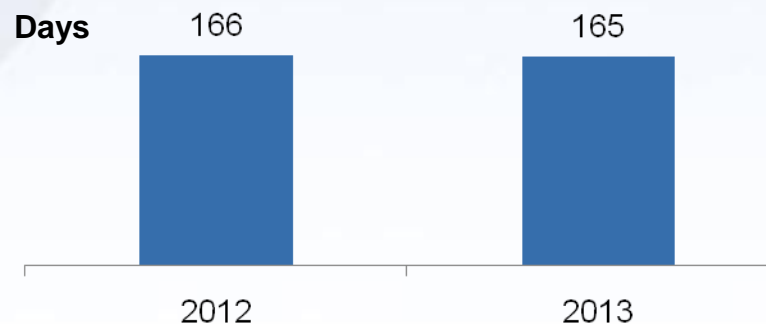
Average Trade Payable Days ⁽²⁾



Current Ratio



Average Trade Receivable Days ⁽³⁾



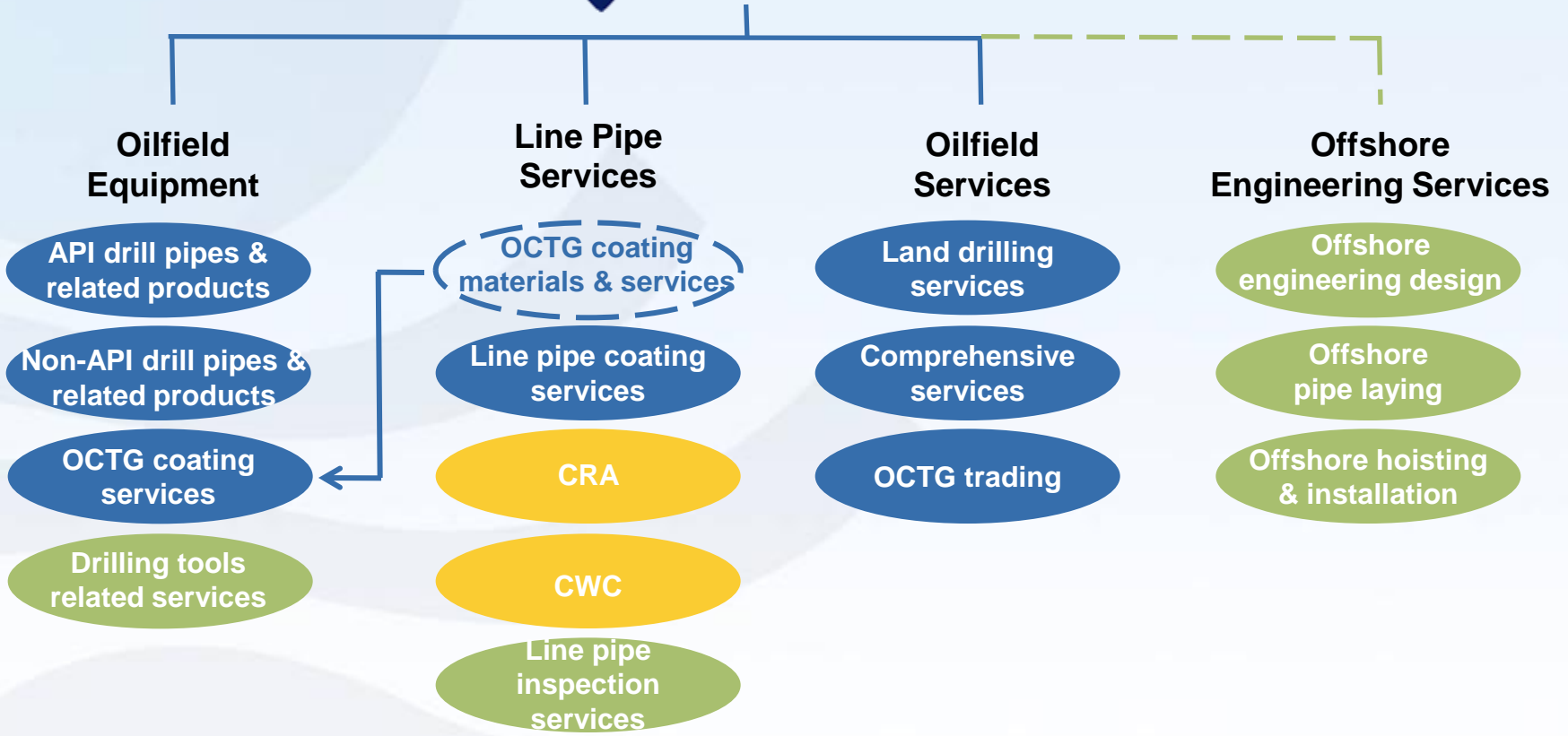
Note:

- 1. Inventory days = days in the period * average inventory of this period / cost of sales of this period
- 2. Average trade payables days = days in the period * average trade payables of this period / cost of sales of this period
- 3. Average trade receivable days = days in the period * average net trade receivables of this period / revenue of this period



2014 Outlook

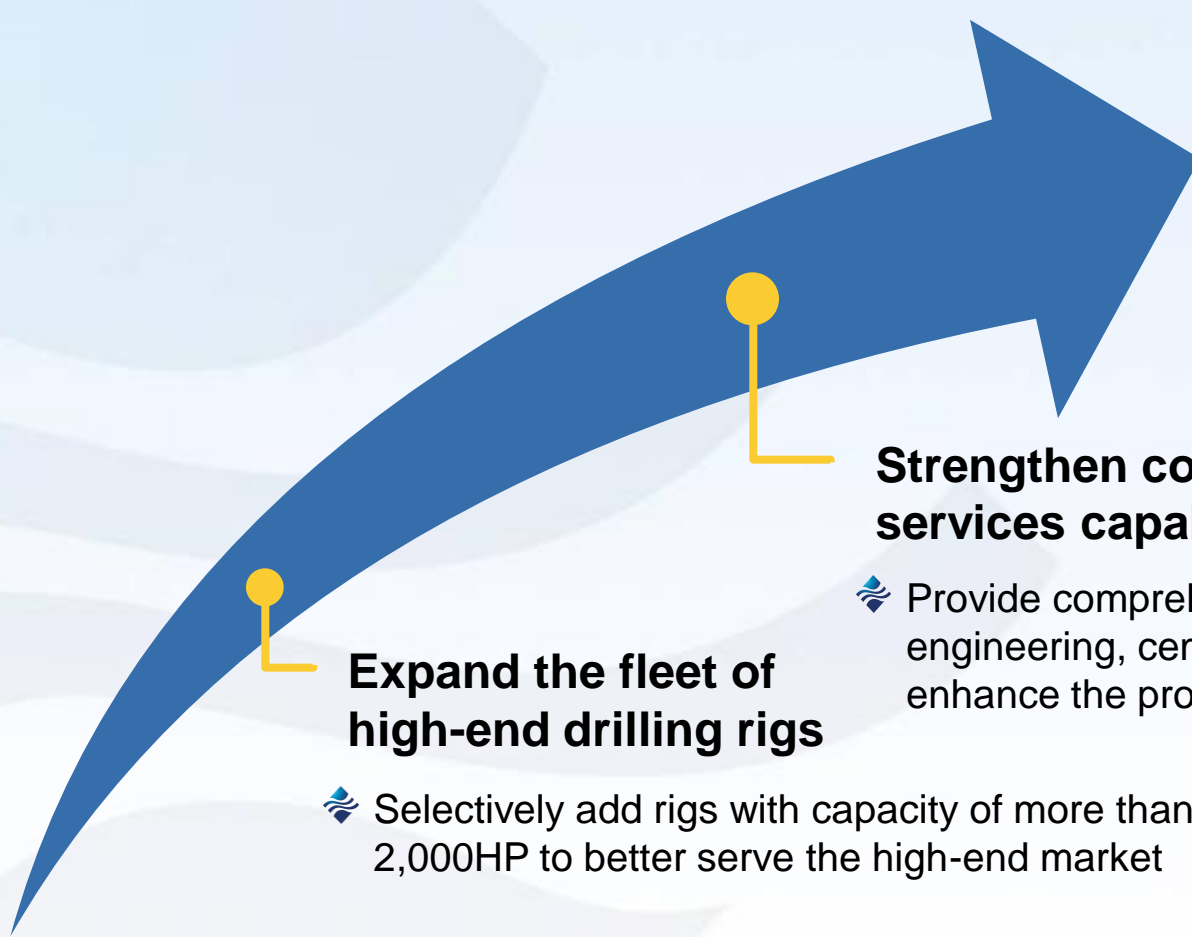
Business Reorganized to Achieve Higher Operating Efficiency



■ Matured business

■ Gradually maturing business

■ New business



Reinforce the leading positions in the strategic overseas markets

Strengthen comprehensive services capabilities

- ❖ Provide comprehensive services such as mud engineering, cementing and swabbing to enhance the profitability of each rig

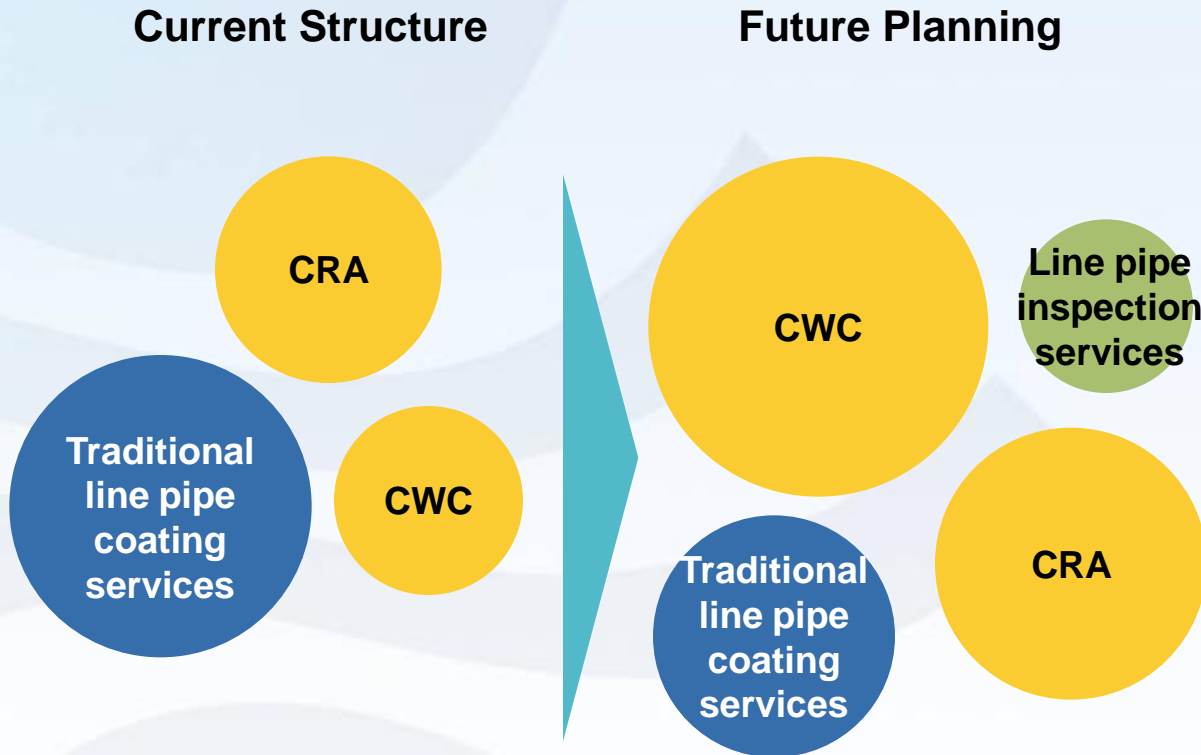
Expand the fleet of high-end drilling rigs

- ❖ Selectively add rigs with capacity of more than 2,000HP to better serve the high-end market

Line Pipe Services



Adjust the Business Structure to Improve Profitability / Launch Line Pipe Inspection Services to Perfect the Value Chain



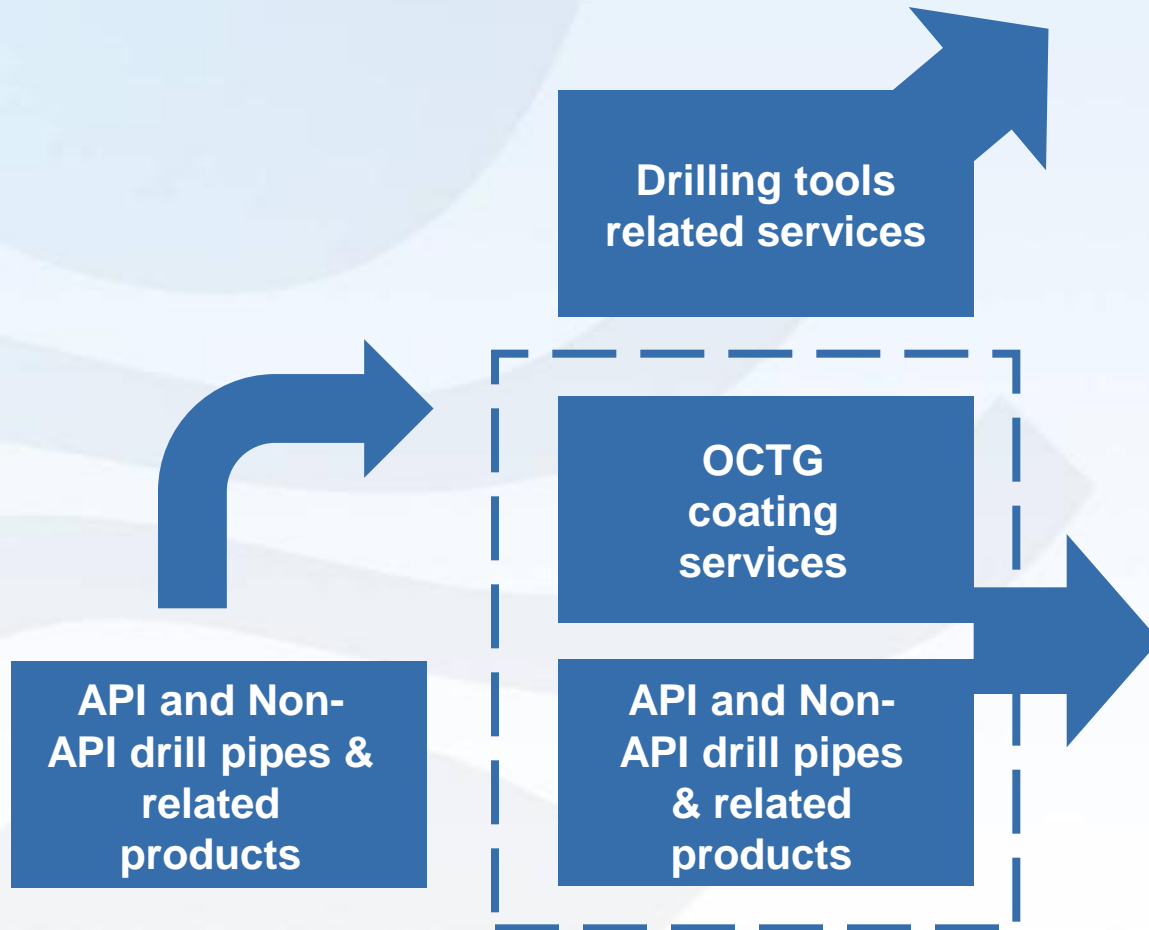
❖ Adjust the business structure to improve profit margin

- ❖ Concentrate on promoting the higher margin business such as CRA and CWC
- ❖ Actively develop the overseas markets for line pipe coating services

❖ Offer line pipe inspection services to enhance our comprehensive capabilities along the value chain

- ❖ Huge market potential
- ❖ Continuous and stable income
- ❖ Cooperation with the business partner who has the world's most advanced inspection technology
- ❖ First-mover advantage in PRC market

Note: The size of the circles indicatively represents the relative scales of the businesses



Service-driven model to improve segment profitability

- ❖ Strengthen the cooperation with oilfields
- ❖ Promote the high-end products
- ❖ Expand the revenue sources

Become a one-stop shop for drilling tools

- ❖ Provide customers with more efficient one-stop solutions
- ❖ Maintain the advantage of integrated services covering drill pipe production and coating services

Offshore Engineering Services



Strong Momentum for the New Segment

- Hilong 106 is expected to start operation in 2014, representing the new chapter for its oilfield services to advance into the offshore operation
- Hilong 106 has the top ranked technical parameters in China and is able to operate in water under 300m depth. The market potential in China and Asia Pacific is significant
- Hilong 106 will realize synergies for the line pipe services segment and provide the clients with more efficient one-stop solution from coating to pipe laying for the CWC pipes
- Hilong's offshore engineering design capabilities will lend strong support to achieve the long-term vision of providing EPCI services

Note1: Parameters ranking among top 3 are highlighted in red

Competitive Landscape in PRC⁽¹⁾

Owner	No.	Operating Water Depth (m)	Max. Hoisting Capacity (ton)	Construction Year
Hilong	Hilong 106	8-300	3000	2012
PRC Company A	Pipe-lay Vessel 1	5-40	318	1976
	Pipe-lay Vessel 2	5-40	200	1974
	Pipe-lay Vessel 3	6-150	3800	2001
	Pipe-lay Vessel 4	15-300	1200	2009
	Pipe-lay Vessel 5	15-3000	4000	2012
PRC Company B	Pipe-lay Vessel 6	5-40	NA	1998
	Pipe-lay Vessel 7	5-100	400	2011
PRC Company C	Pipe-lay Vessel 8	3-40	400	2010
	Pipe-lay Vessel 9	5-150	1600	2013