



海隆控股有限公司
Hilong Holding Limited

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



2012 Annual Results Presentation

March 2013

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Hilong: A Leading Integrated Global Oilfield Equipment and Services Provider



- #1 drill pipe supplier in China
- #2 drill pipe supplier globally
- Strong focus on high-end drill pipes and related products

- #1 OCTG coating supplier in China
- #2 OCTG coating supplier globally
- #1 supplier of line pipe coating materials in China



- 11 sets of drilling equipment focused in 3 overseas regional markets
- Strong regional player providing drilling services and other comprehensive services

- Largest drill pipe and coating research institutes in China
- Strong sales & marketing network covering global markets



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2013 Outlook

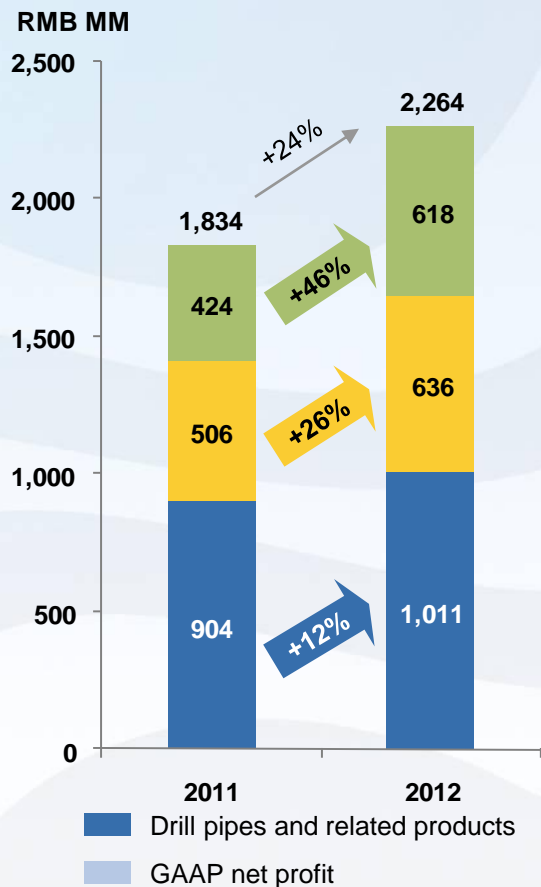


Results Highlight

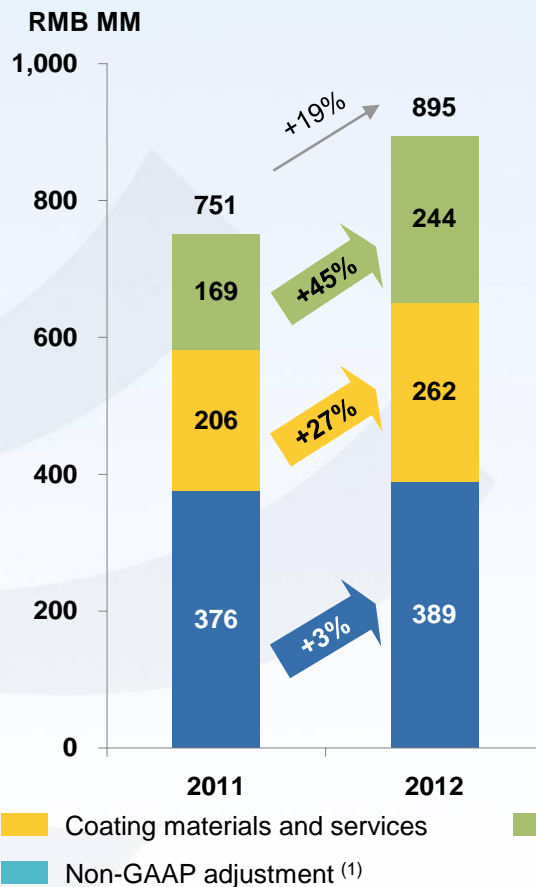
Steady Growth of Revenue and Profit



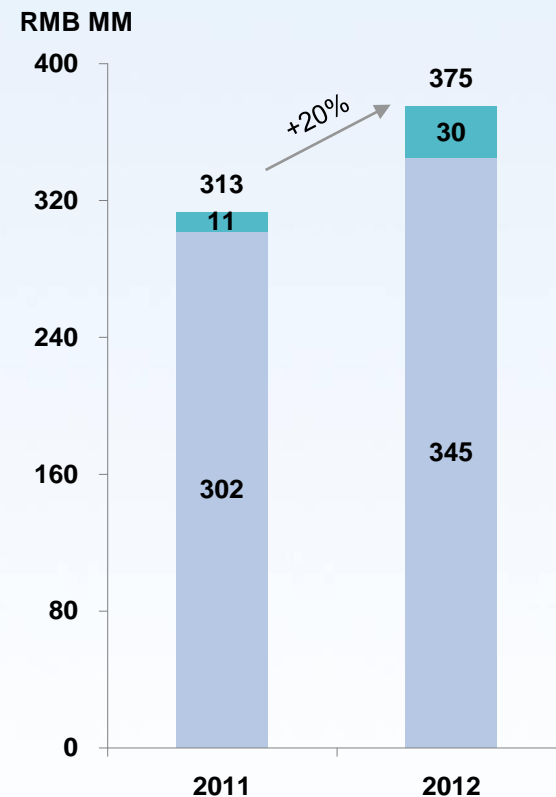
Revenue



Gross Profit



Profit to Equity Owners



Note 1. The Non-GAAP profit attributable to equity owners of the Company does not include share-based compensation expenses and loss from fair value change of derivative financial instrument in association with the convertible bonds

Quality Customer Base Supported by Proven Track Record



Long-term Domestic Customers

Strategic Partners⁽¹⁾



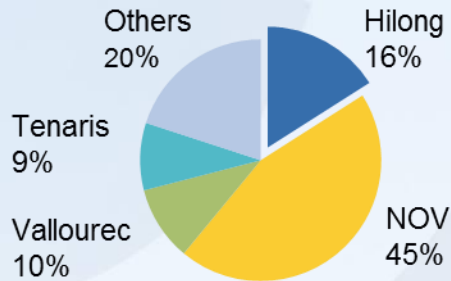
Growing Overseas Customer Base with Great Quality



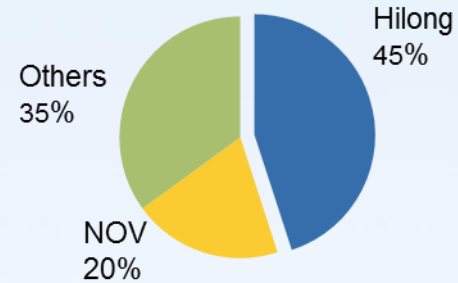
Strengthened Leadership in China and Overseas



World Leading Drill Pipe Producers

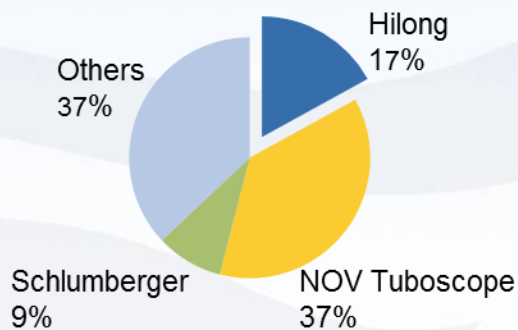


Global Drill Pipe Market

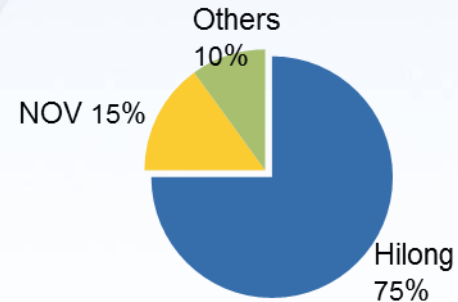


Chinese Drill Pipe Market

World leading OCTG Coating Materials and Services Vendor



Global OCTG Coating Materials and Services Market



Chinese OCTG Coating Materials and Services Market

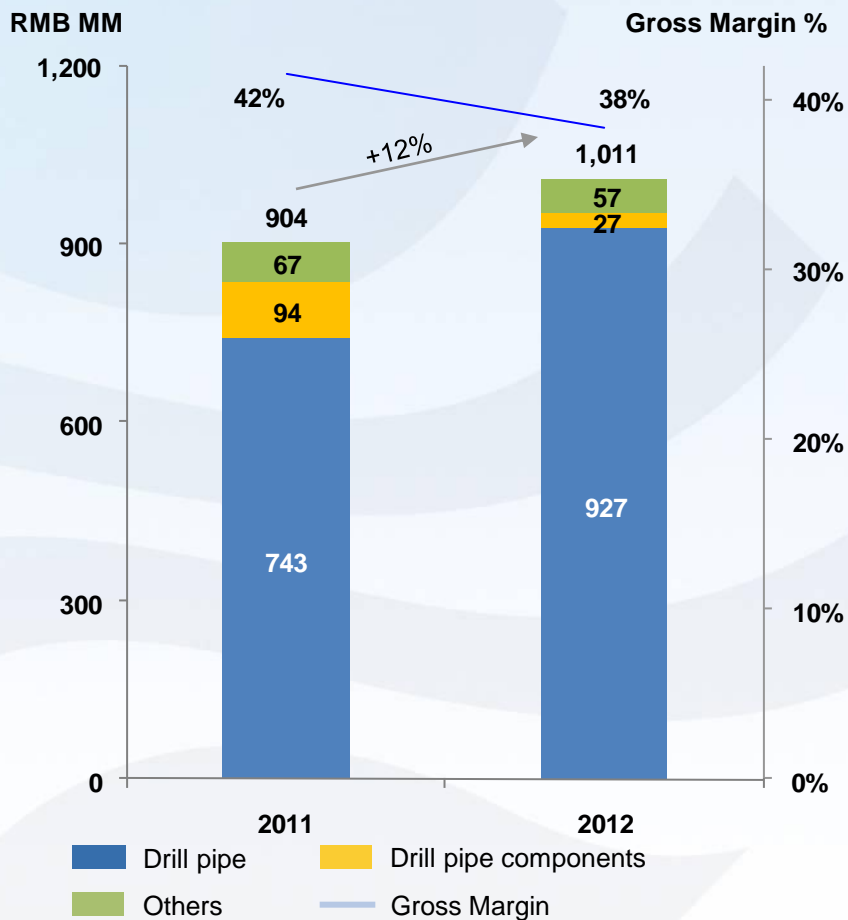


Business Review

Drill Pipe and Related Products



Segment Revenue: +12% YoY



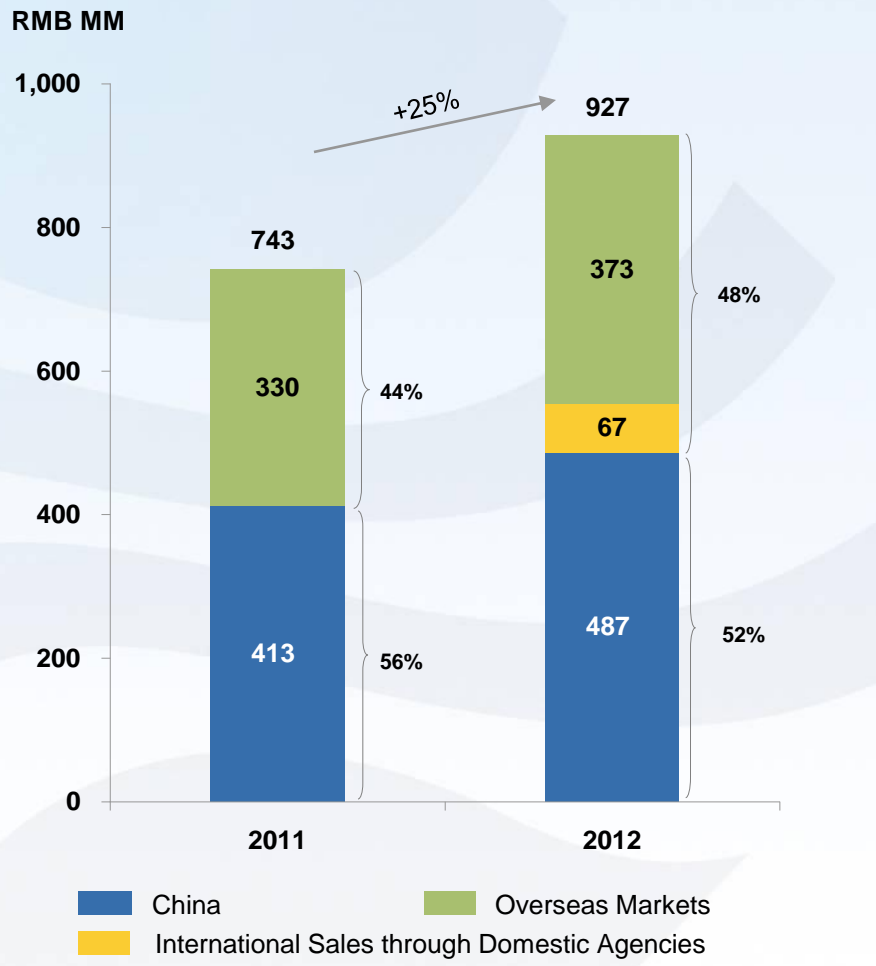
Drill Pipe Analysis

	2011	2012	Change
Annual capacity (Ton)	40,600	50,600	24.6%
Utilization rate	68.0%	73.9%	24.6%
Sales volume (Ton)	27,609	37,407	35.5%
Domestic	14,549	22,194	52.5%
International	13,059	15,213	16.5%
ASP (RMB/Ton)	26,894	24,786	-7.8%
Domestic	28,356	24,954	-12.0%
International	25,266	24,540	-2.9%
Revenue (RMB MM)	743	927	24.9%
Domestic	413	554	34.2%
International	330	373	13.2%

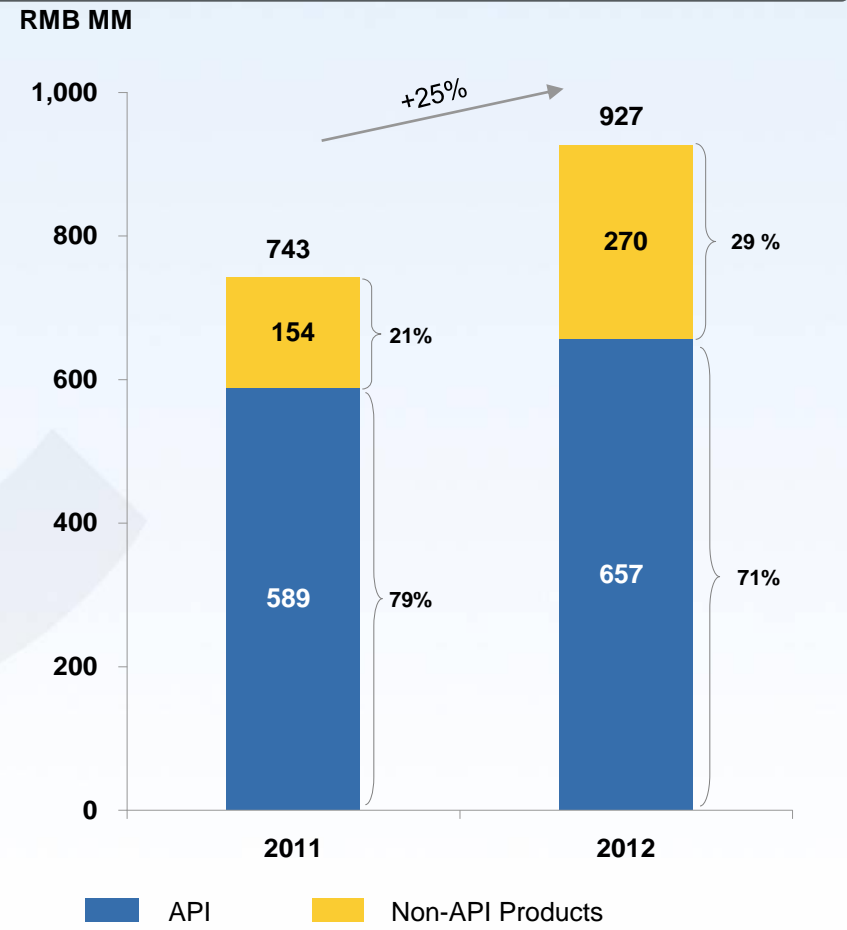
Drill Pipe Sales Breakdown



Increased International Exposure



Improved Product Mix (1)

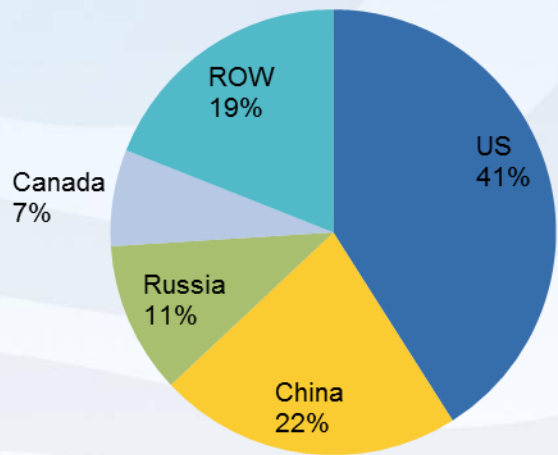


Note 1: API drill pipes are referred to standard drill pipes according to American Petroleum Institute specifications. Non-API drill pipes are customized products

Leading International Drill Pipe Supplier

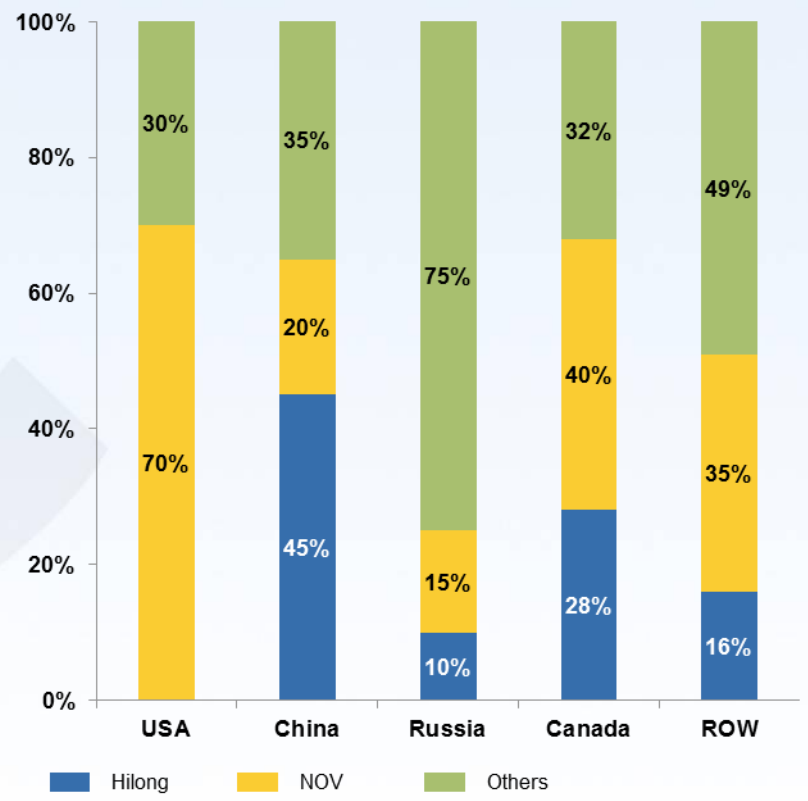


Global Drill Pipe Market Breakdown



Total: US\$ 928 MM

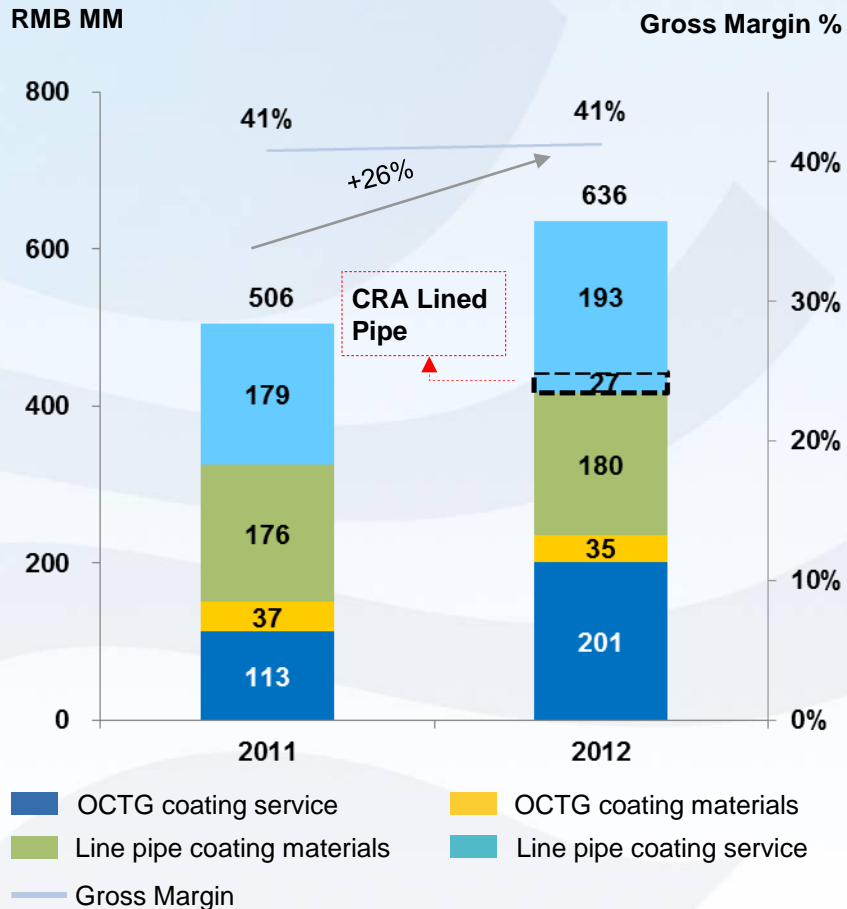
Leadership in Key Markets



Coating Materials and Services



Segment Revenue: +26% YoY



Key Growth Drivers

- ❖ Continued capacity expansion led the OCTG coating revenue increased by 57%
- ❖ Constructed new plants in strategic locations
- ❖ Further application of coating into tubing and casing
- ❖ Line pipe coating revenue increased by 12%
- ❖ Corrosion Resistance Alloy Lined Pipe (CRA) was newly introduced to the market and achieved very positive result
- ❖ Concrete Weighted Coating project was successfully installed in 2012 and will contribute to the growth in 2013

OCTG Coating

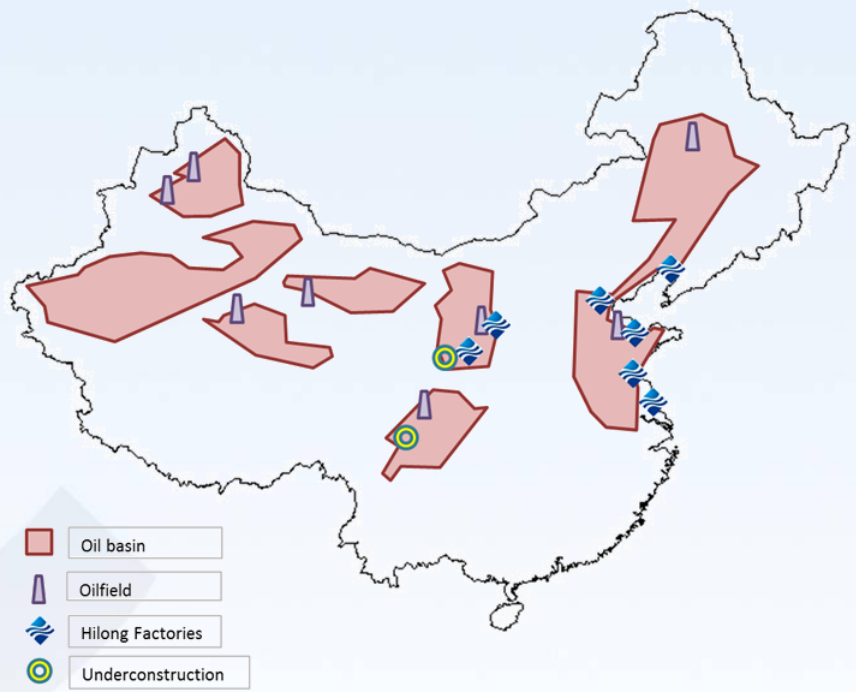


Increased Domestic Capacity

- ❖ Tianjin coating plant started operation in early 2012
- ❖ Sichuan coating factory is under construction and expected to be in operation in 2013
- ❖ Joint Venture with Shaanxi Yanchang Petroleum Group to increase coating for tubing and casing with 1 million annual capacity

Further Expansion Overseas

- ❖ Russian coating plant started operation in October 2012
- ❖ Canada coating plant expected to be in operation from in 2013
- ❖ Continue to identify suitable locations for further capacity expansion





Leading Position in High Profile Projects

- ❖ Largest coating materials supplier to major domestic projects such as West to East Pipe Line Phase 3
- ❖ Winning over 77 million RMB contract in China-Central Asia Gas Pipeline
- ❖ Winning over 90 million RMB contract in Missan Oil Field Development Project in Iraq



Introduction of New Products & Services

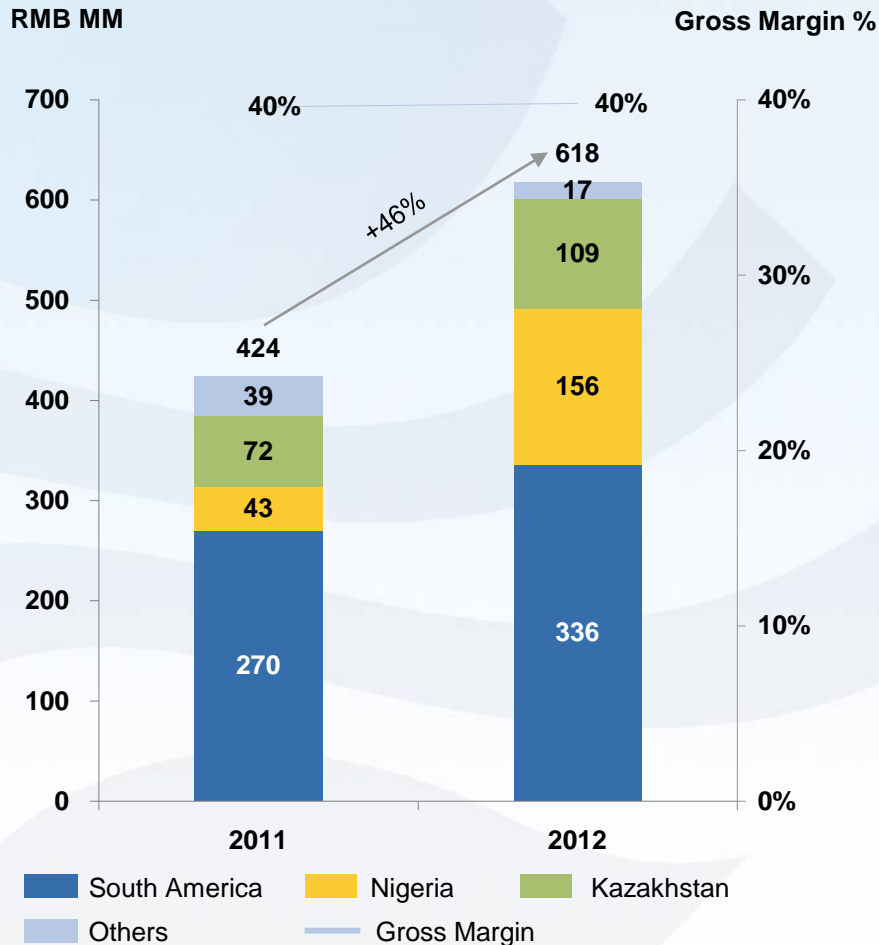
- ❖ Corrosion Resistance Alloy Lined Pipe (CRA) protects carbon steel pipes from corrossions by alloying a layer of thin stainless steel inside of the pipes, reduces costs by replacing traditional stainless steel line pipes
- ❖ Concrete Weighted Coating (CWC) is applied to offshore line pipes to provide corrosion resistance and stability under water



Oilfield Services



Segment Revenue: +46% YoY



Growing Presence and Service Range

Regional Market	South America	Nigeria	Kazakhstan
Number of Rigs	5 land rigs 1 workover rig 1 oil pump	2 land rigs	2 land rigs
Clients	Schlumberger CSSFD ANDES Petroamazonas EP SINOCHEM	Shell(Nigeria)	KAM KOP
Services	<ul style="list-style-type: none"> Drilling Service Horizontal Drilling OCTG Supply Well Workover 	<ul style="list-style-type: none"> Drilling Service Horizontal Drilling OCTG Supply 	<ul style="list-style-type: none"> Drilling Service Horizontal Drilling OCTG Supply Cementing Drilling Fluids

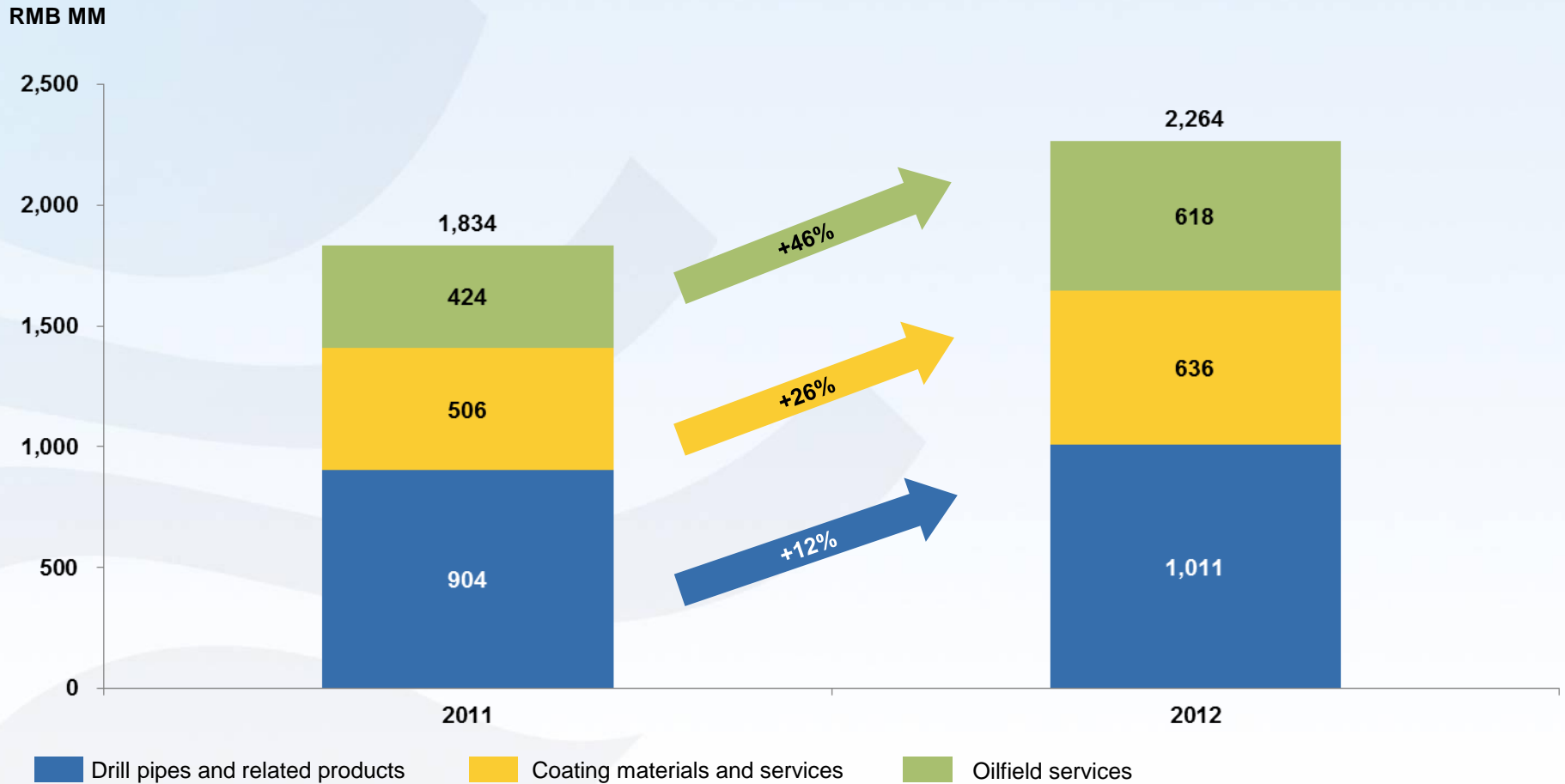


Financial Performance

Revenue: Strong Growth Across Segments



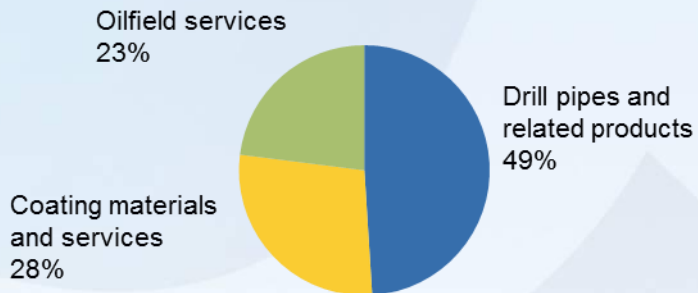
Revenue Increased by 24% YoY



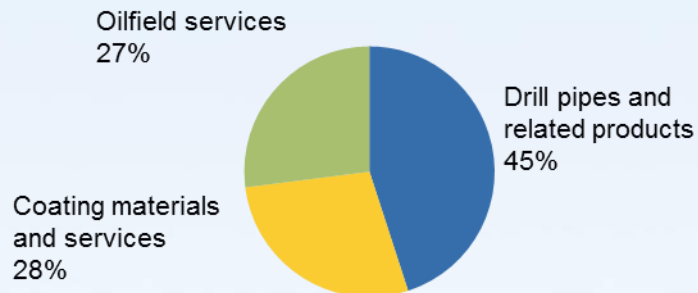
Revenue Breakdown



Revenue Breakdown by Products

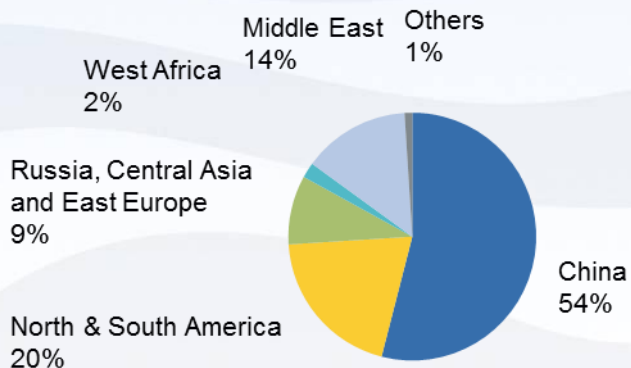


FY2011

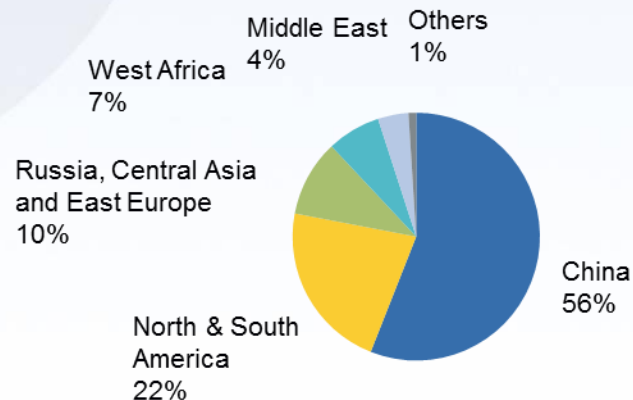


FY2012

Revenue Breakdown by Geography



FY2011



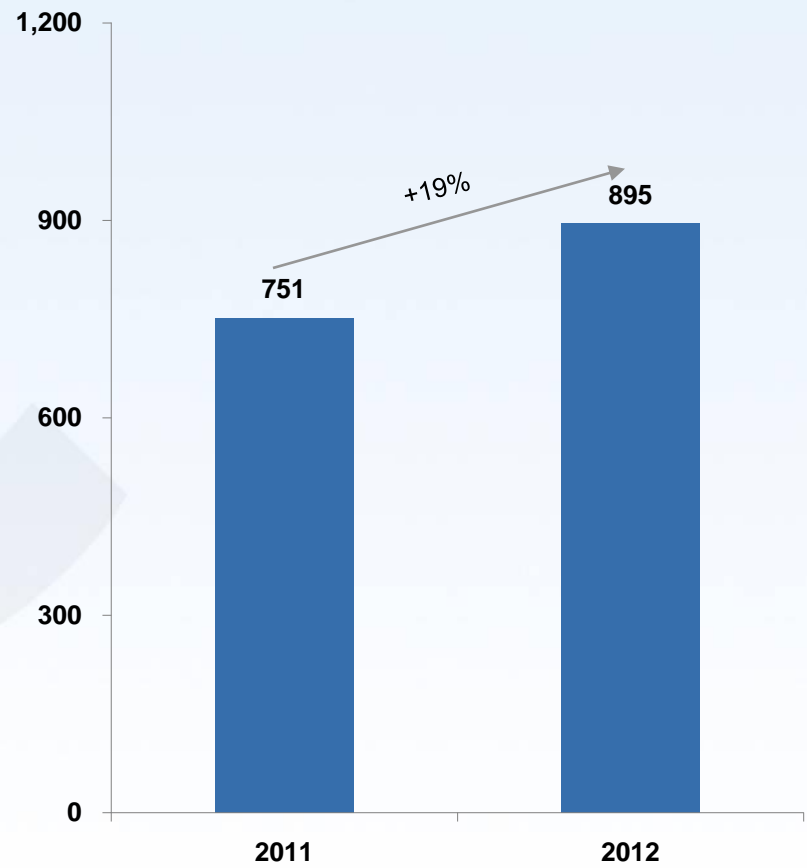
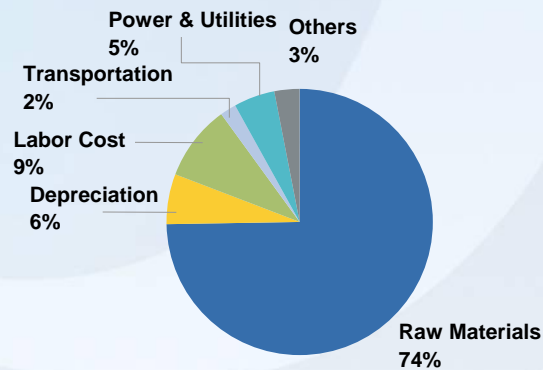
FY2012

Cost and Gross Profit Analysis

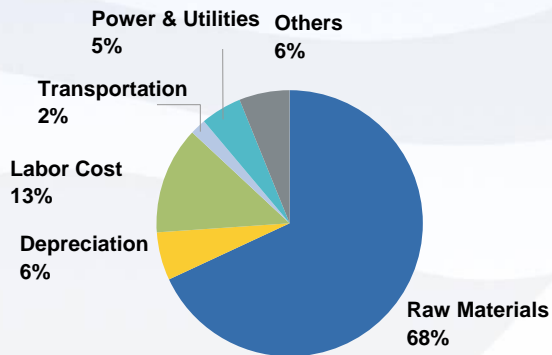


FY2011 Total Cost: 1,082MM

Gross Profit Increased by 19%



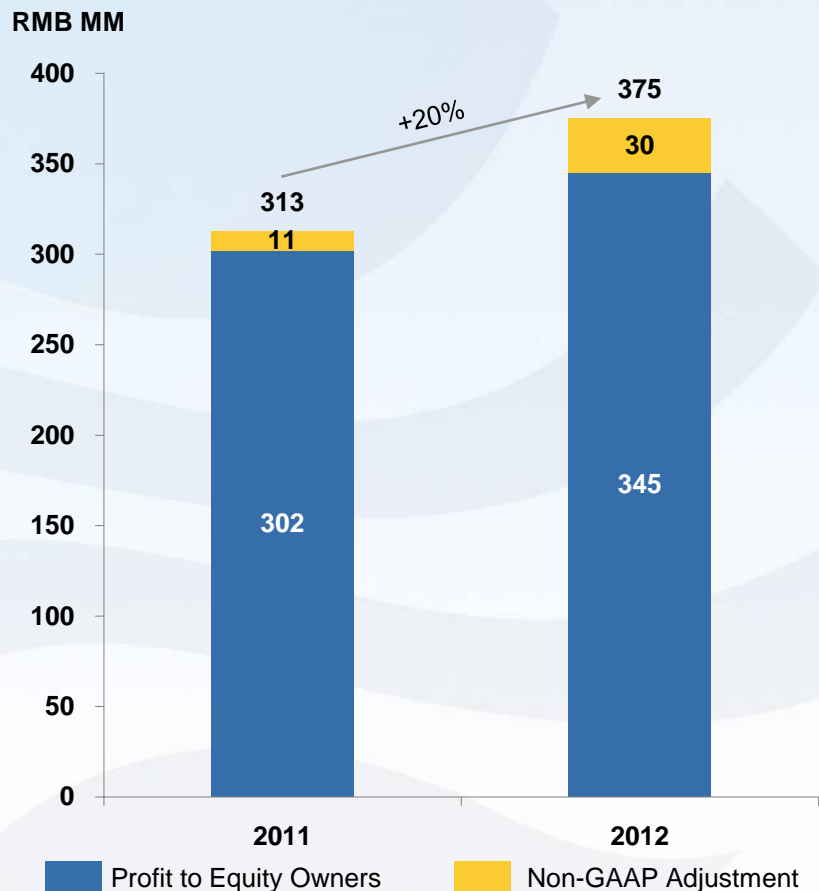
FY2012 Total Cost: 1,369MM



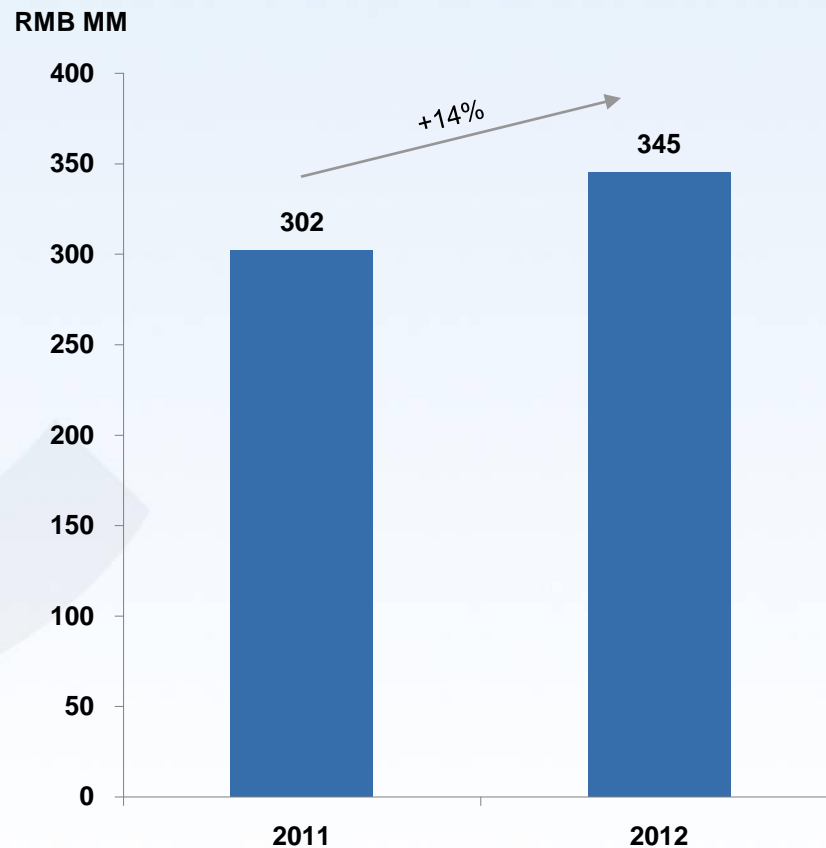
Net Profit



Non-GAAP Profit: +20% (1)



GAAP Profit: + 14%



Note:

1. The Non-GAAP profit attributable to equity owners of the Company does not include share-based compensation expenses and loss from fair value change of derivative financial instrument in association with the convertible bonds

Capital Structure and Return



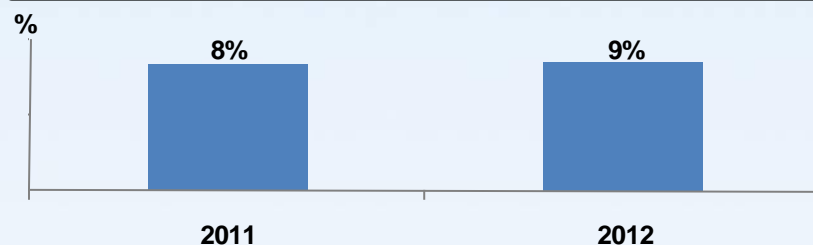
Capital Structure

RMB MM	2011	2012
Cash & cash equivalent	326	404
Current assets	2,205	2,458
Total Assets	3,577	4,040
Short-term debt	583	646
Long-term debt	179	293
Total liabilities	1,539	1,735
Shareholder's equity	1,860	2,118
Minority Interests	178	188
Total Equity	2,039	2,305

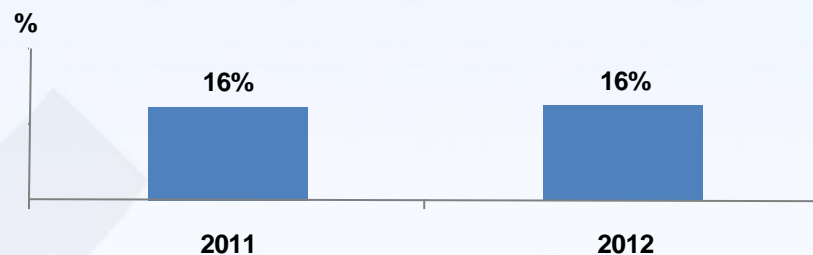
Note:

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

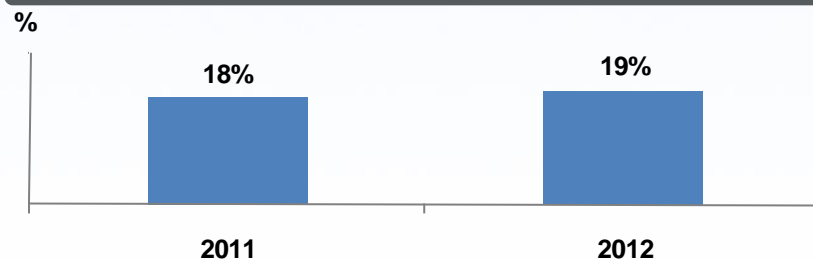
Return on Assets (1)



Return on Equity (2)



Gearing Ratio: Net Debt/Total Cap (3)



Cashflow and Capital Expenditure

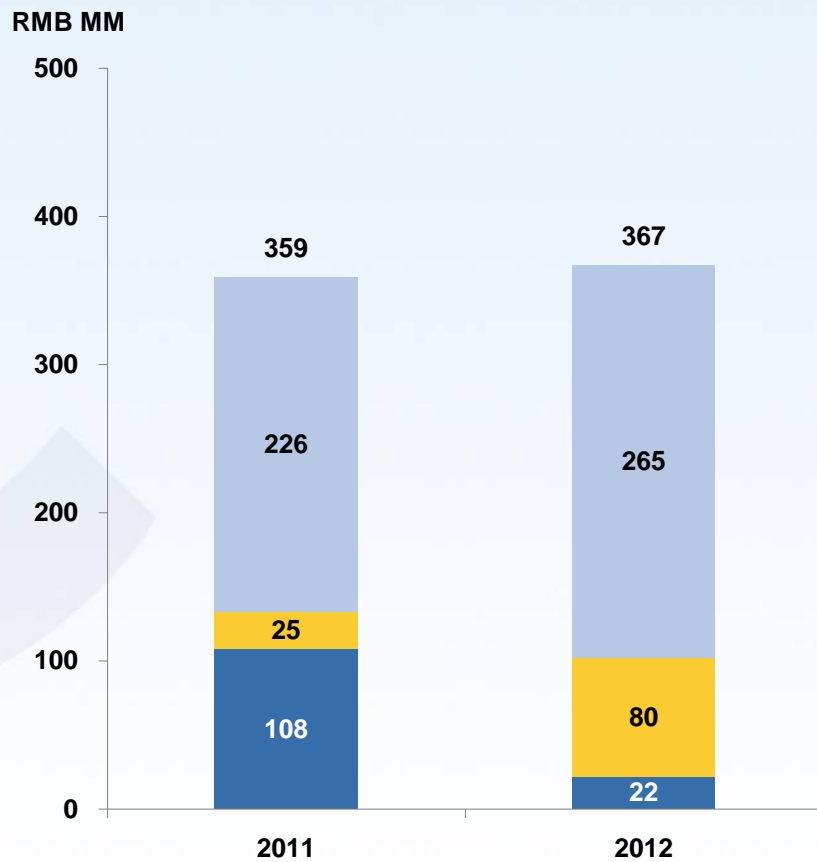


Cashflow Statement Highlight

RMB MM

	2011	2012
Operating cashflow	59	353
Investing cashflow	-478	-296
Financing cashflow	495	21
Net change in cash and equivalent	76	78
Ending balance of cash and equivalent	326	404

Capital Expenditure



■ Drill pipes and related products
 ■ Coating materials and services
 ■ Oilfield services

Liquidity and Turnover Days



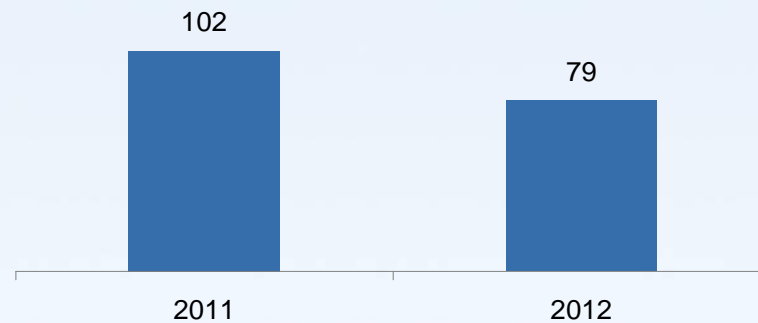
Inventory Turnover Days ⁽¹⁾

Days



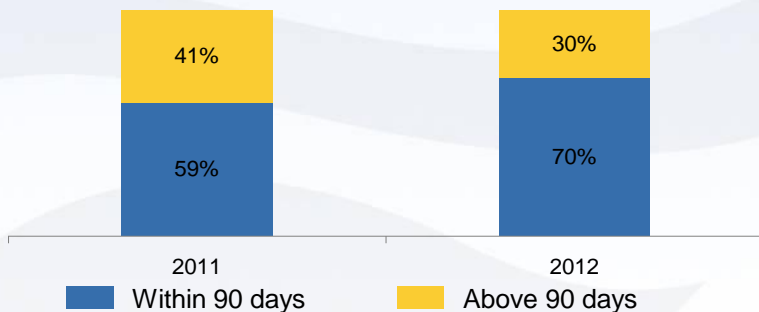
Average Trade Payable Days ⁽²⁾

Days



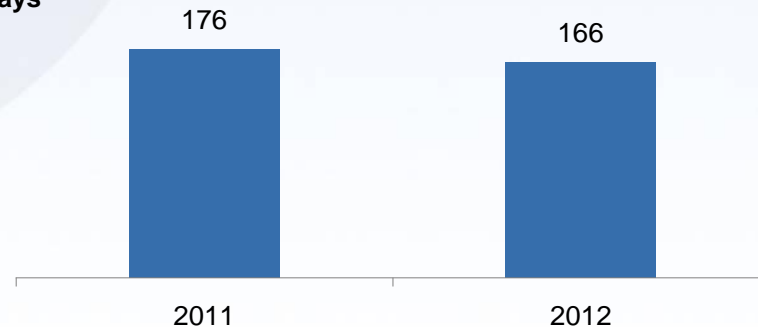
Improving Trade Receivables Structure

%



Average Trade Receivable Days ⁽³⁾

Days



- 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



Maintain the Growth Momentum and Enhance Hilong's Competitiveness

Drill Pipes and Related Products

- ▶ Expansion in overseas markets
- ▶ Innovation in high end products
- ▶ Integration along the value chain
- ▶ Establish deeper cooperation with key clients

Coating Materials and Services

- ▶ Increase OCTG coating capacity in domestic and overseas market
- ▶ Promote coating service in tubing and casing market
- ▶ Introduce new line pipe coating service and products

Oilfield Services

- ▶ Continue to expand the rig fleet
- ▶ Further diversify the range of services
- ▶ Increase return per rig through secure turnkey contract

Group Management

- ▶ Enhance corporate governance, control administrative expenses
- ▶ Continue to improve working capital management
- ▶ Explore the opportunity to expand through mergers and acquisition