



海隆控股有限公司
Hilong Holding Limited

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



2011 Annual Results Presentation

March 2012

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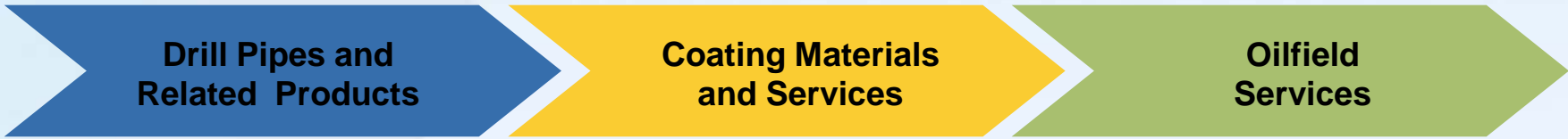
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Hilong: A Leading Integrated Global Oilfield Equipment and Services Provider



Vertically Integrated Business Segments Along the Value Chain



Products:

- ▶ Drill pipe: the key drilling equipment used in exploration and production of oil, natural gas, unconventional gas ect, the most complex drilling tubular good
- ▶ Drill pipe components and others

Market Position⁽¹⁾:

- ▶ #1 in China
- ▶ #2 globally

Products & Services:

- ▶ OCTG coating services
- ▶ OCTG coating materials
- ▶ Line pipe coating services
- ▶ Line pipe coating materials

Market Position⁽¹⁾:

- ▶ #1 in China and #2 globally in OCTG coating materials and services
- ▶ #1 line pipe coating materials supplier in China

Services:

- ▶ Oilfield services with a focus on drilling: 9 sets of onshore drilling equipment engaged overseas
- ▶ Other services (cementing, OCTG trading & logistics)

Market Position:

- ▶ Well recognized by international oil majors, customers with long term contracts include Schlumberger, Shell and national oil companies of Ecuador

Trusted Supplier to Major International Oil & Gas Companies



Source: Spears & Associates, market shares are calculated based on 2011 sales



Key Competitive Strengths



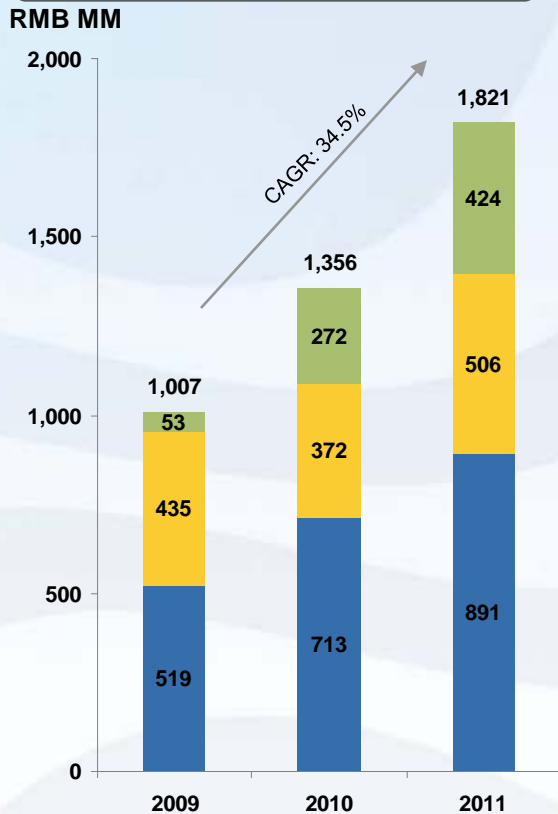


Performance Highlights

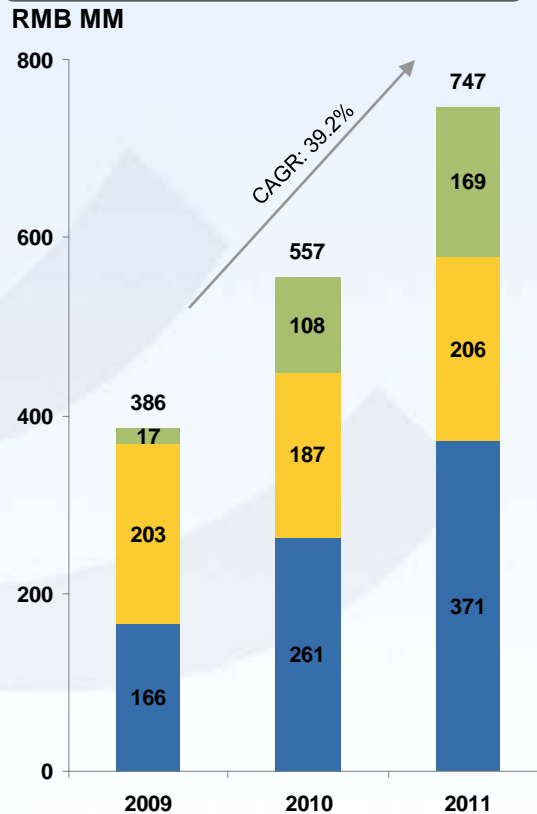
Significant Growth in Revenue and Profit



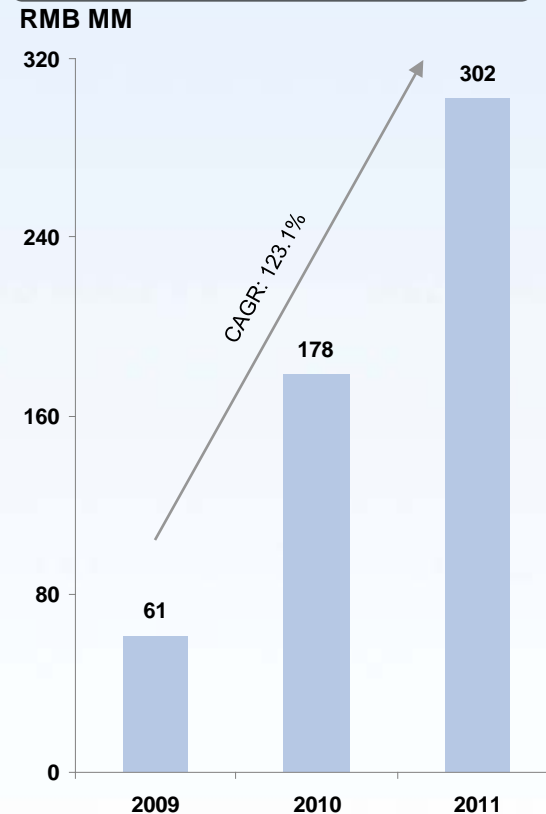
Revenue



Gross Profit



Profit to Equity Owners



■ Drill pipes and related products

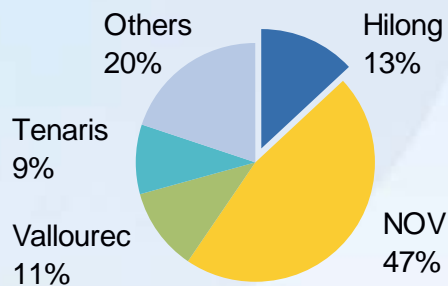
■ Coating materials and services

■ Oilfield services

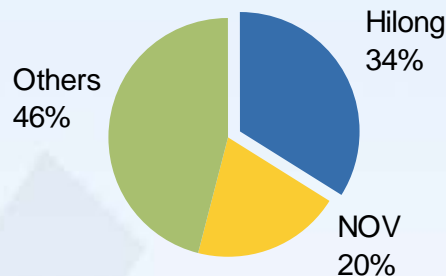
Solidified Leadership in the PRC and Expanded Internationally



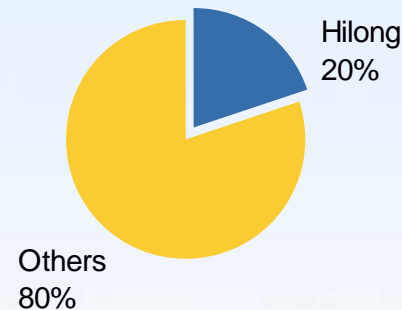
World Leading Drill Pipe Producer



Global Drill Pipe Market

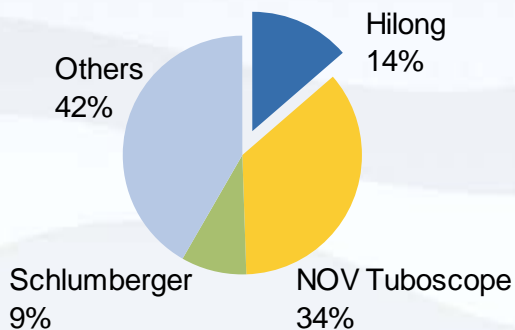


Chinese Drill Pipe Market

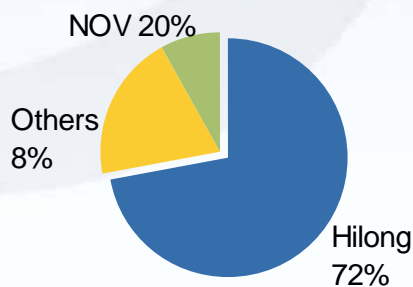


Russian Drill Pipe Market

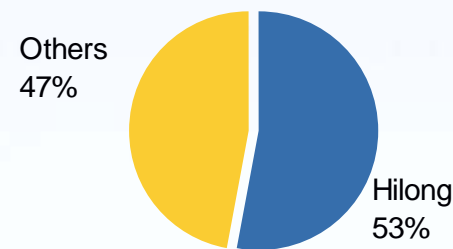
World Leading OCTG and Line Pipe Coating Materials and Services Provider



Global OCTG Coating Materials and Services Market



Chinese OCTG Coating Materials and Services Market



Chinese Line Pipe Coating Materials Market

Source: Spears & Associates, market shares are calculated based on 2011 sales

Established Relationships with Quality Customers Supported by Proven Product Quality



Stable Long Term Relationship with Major Domestic Customers



Growing Overseas Customer Base with Great Quality



Expanded Financing Channels Since IPO & Maximize Values for Shareholders



- ❖ The successfully IPO expanded Hilong's financing channels that provide funding support to our long term growth
 - ❖ On April 21, despite the volatile market condition, Hilong successfully listed on the Main Board of the Hong Kong Stock Exchange, issued 400 million new shares at HK\$2.60, raising a total proceeds of HK\$1.04 billion
 - ❖ On December 1, Hilong announced the issuance of HK\$233 million three-year convertible bonds to CITIC Capital China Access Fund Limited ("CITIC Capital"), an investment fund managed by a subsidiary of CITIC Capital Holdings Limited
- ❖ Company maintained its dividend policy of payout ratio of ~30% in the year of 2011, and endeavored to maximize returns for our shareholders
 - ❖ During the year 2011, a special dividend of RMB 51.9 million (HK\$3.9 cents per share) were paid to shareholders
 - ❖ The Board resolved to recommend the final dividend of RMB 89.0 million (HK\$6.9 cents per share), the payout ratio stands at ~30% for the year 2011



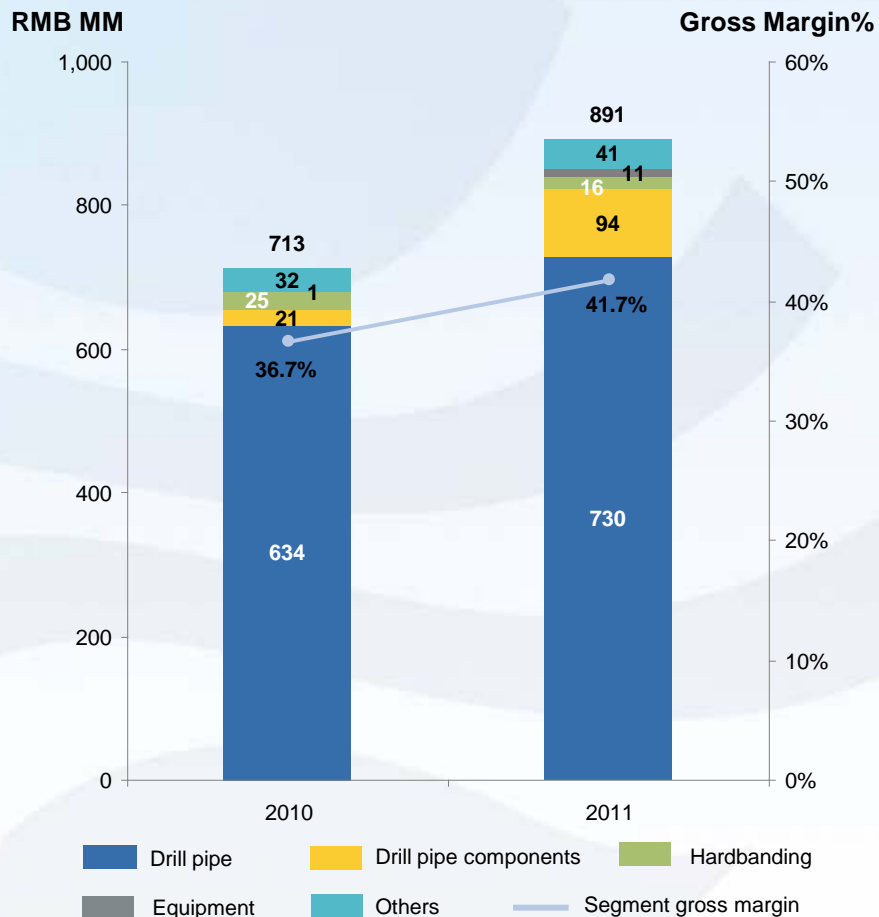
Business Review

Drill Pipes and Related Products



Segment Revenue: +25.0% YoY

Drill Pipe Analysis



	2010	2011	Change
Annual capacity (Ton)	40,600	40,600	0.0%
Sales Volume (Ton)	25,019	27,131	8.4%
Domestic	14,469	14,549	0.6%
International	10,550	12,582	19.3%
ASP (RMB/Ton)	25,333	26,913	6.2%
Domestic	24,961	28,356	13.6%
International	25,842	25,244	-2.3%
Revenue (RMB MM)	633.8	730.2	15.2%
Domestic	361.2	412.6	14.2%
International	272.6	317.6	16.5%



New Products and Technologies

- ❖ **Drill pipe for shale gas exploration**
 - ❖ Made bulk sales of the drill pipes designed for shale gas exploration
 - ❖ Modified and upgraded our existing double shoulder drill pipes to adapt to the requirement for shale gas exploration
- ❖ **HL- V150 high strength drill pipe**
 - ❖ Specialized in deep and ultra-deep oil and gas drilling
 - ❖ High density and high torque capacity
- ❖ **7 1/2" big size drill pipe for HDD (Horizontal Directional Drilling) application**
 - ❖ Boost a high torque resistance and high drilling efficiency
 - ❖ A pioneer in production and application in China's HDD



New Products and Technologies (Cont')

❖ **Double box tool joint drill pipe**

- ❖ Firstly specially designed for special requirements of Jiangsu Oilfield, and has been used in various oilfields
- ❖ Effectively reduce the workload of the platform operation, thus improve the efficiency of drilling and tripping

❖ **Low temperature drill pipe**

- ❖ Targets at high latitude wells
- ❖ Tolerance to temperature is 15-30°C lower than API drill pipes
- ❖ First low temperature drilling equipment developed domestically, and realized sales to Russia successfully

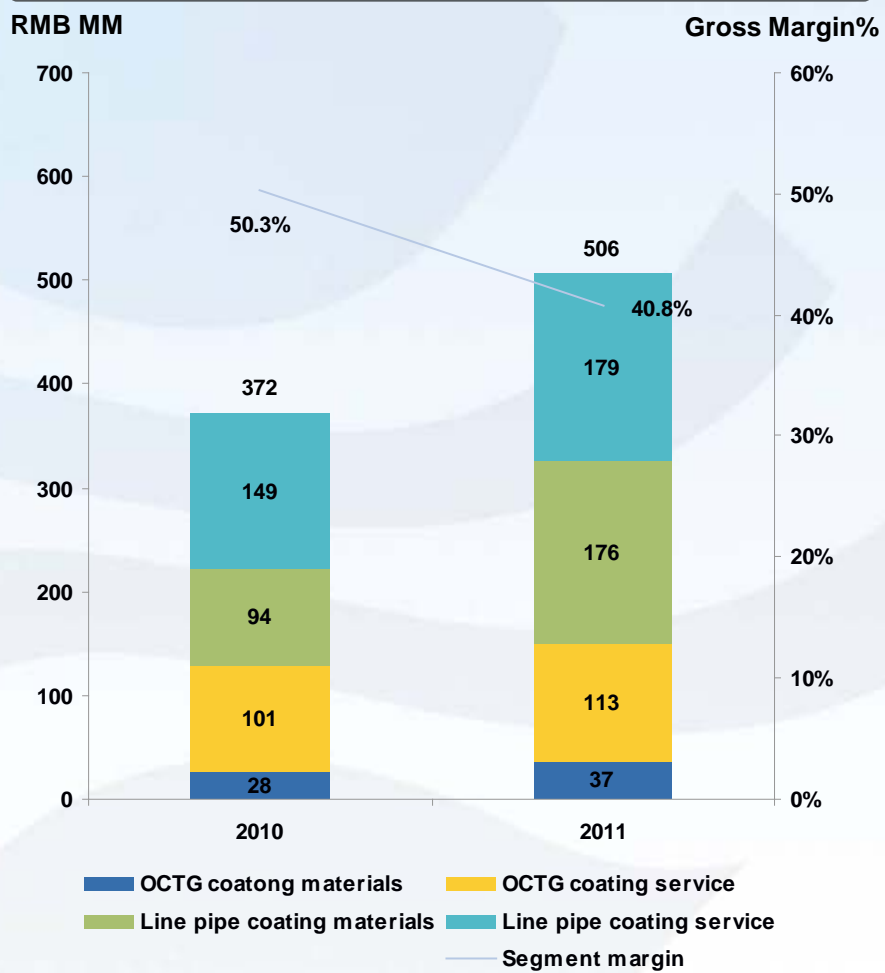
❖ **High torque-resistant/ super torque-resistant drill pipe**

- ❖ Ideal for deep and ultra-deep wells, with a 20-80% higher torque resistance, which raises the efficiency of drilling
- ❖ The Hilong high torque-resistance series has begun mass production and recorded total sales of more than RMB100 million

Coating Materials and Services



Segment Revenue: +36.0% YoY

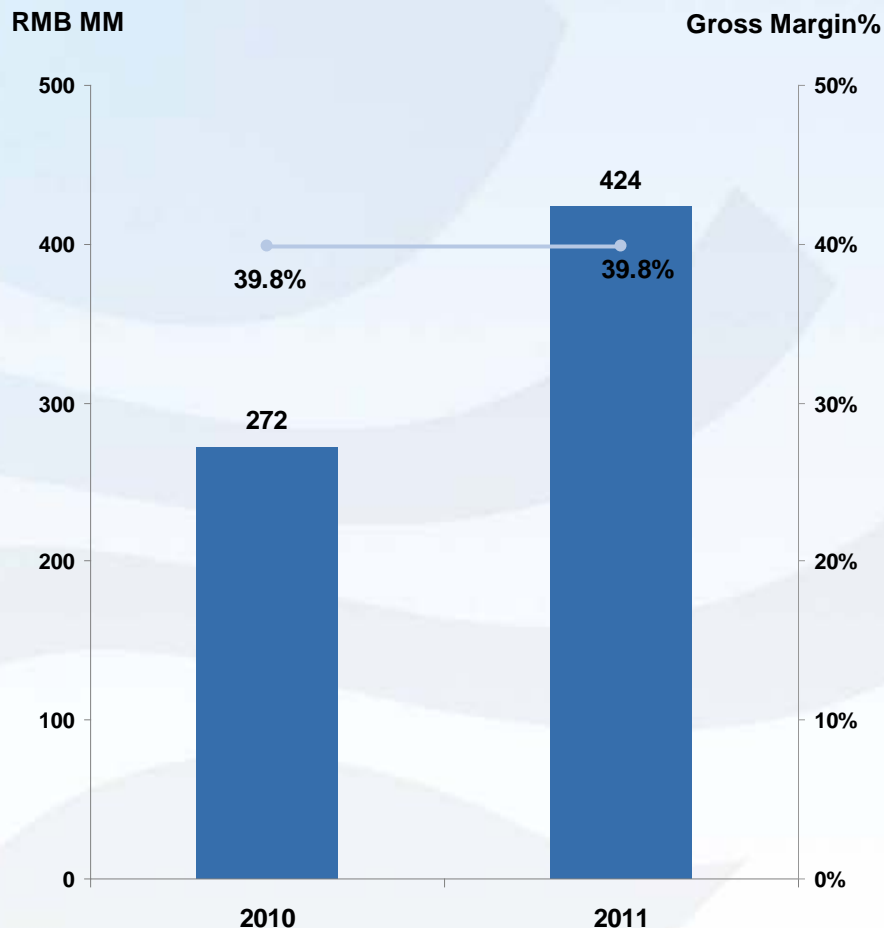


Capacity Expansion Progress

	2010	2011	Change	Development
Line pipe coating materials (ton)	20,760	25,000	20.4%	3 new production lines in Shanghai started working in June
Line pipe coating services (000 sqm)	3,100	4,300	38.7%	Taicang plant started production in June Expanded existing capacity in Shanghai
OCTG coating services (000 m)	2,150	2,600	20.9%	Expanded existing capacity in Shanghai



Segment Revenue: +56.2% YoY



Highly Recognized by Int'l Customers

- ❖ **9 sets of onshore drilling equipment are engaged in oilfield services overseas by high quality international customers**
 - ❖ Ecuador: two 2000HP rigs, one 650HP workover rig, and one oil pump
 - ❖ Nigeria: two 2000HP rigs
 - ❖ Iraq: one 2000HP rig
 - ❖ Kazakhstan: two 750HP rigs
- ❖ **Continue to strengthen capability to provide comprehensive services**
 - ❖ Successful cementing project finished in Kazakhstan
 - ❖ OCTG trading business also contributed to the revenue growth

Research and Development



- ❖ Dedicated research and development team with 105 members, has developed a series of proprietary technologies and products based on 65 patents as well as a full suite of chemical formulas for coating materials, and there are 57 patents applications that are being processed
- ❖ Well recognized by the government and industry associations
 - ❖ Deep-water drill pipe project passed the open reply of the National 863 Program
 - ❖ Our staff was granted for a series of personal awards such as the “Shanghai Leading Technology Talent” award and the “Rising Star of Technology” by local government
 - ❖ Hilong Academy Work Station was named the National Leading Academy Work Station
 - ❖ Many products won awards by industry associations at state and municipal levels





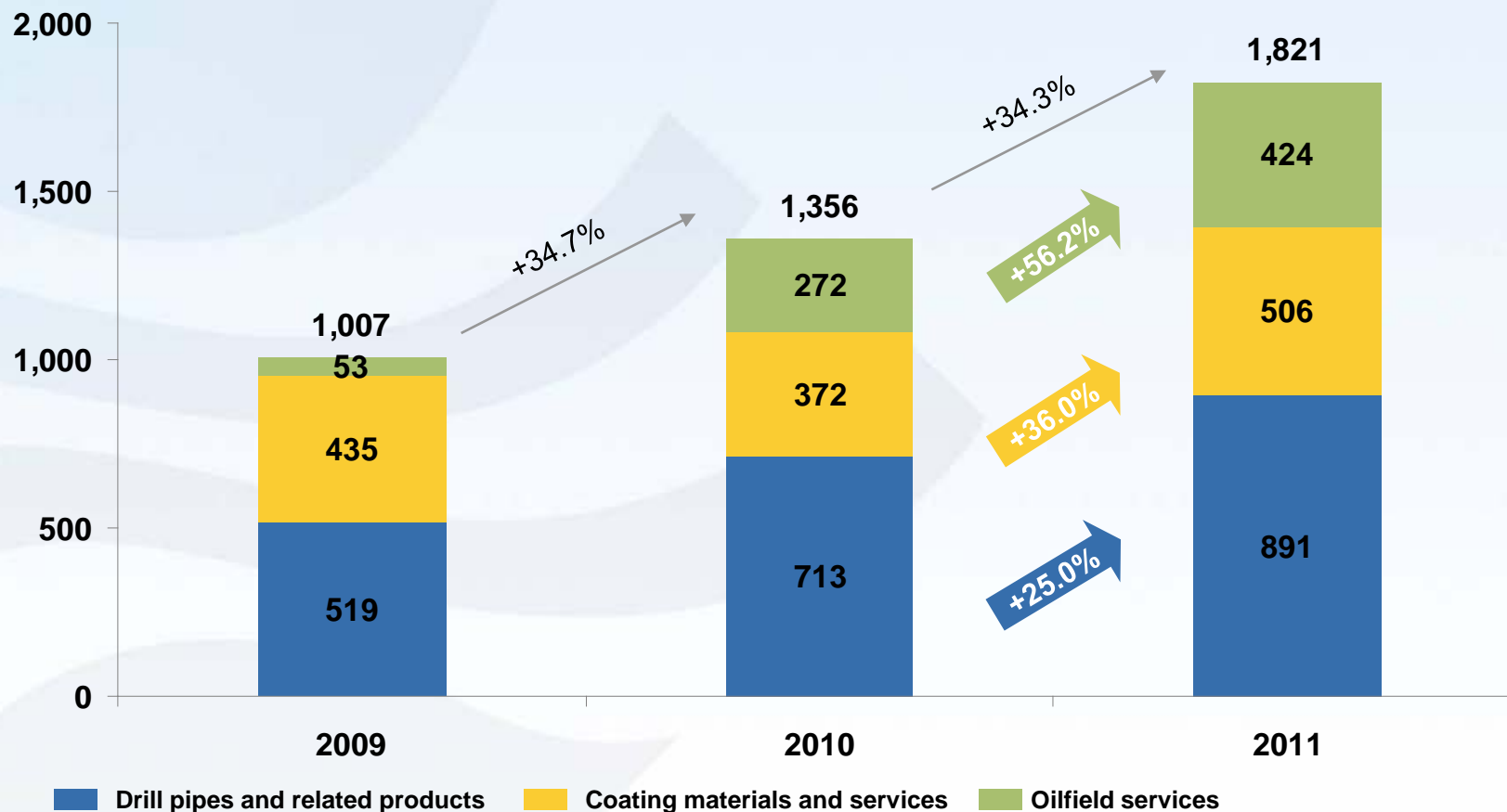
Financial Performance

Revenue: Strong Growth Across Segments



Revenue Increased by 34.3% YoY in 2011

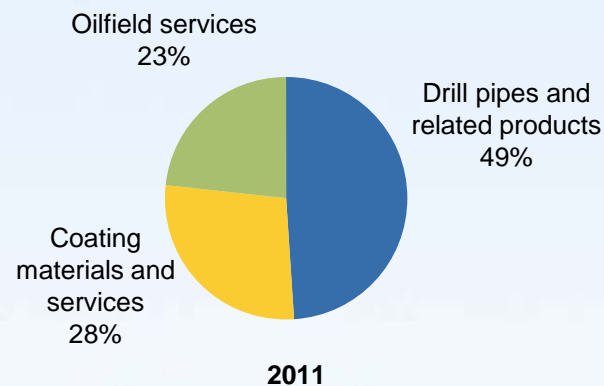
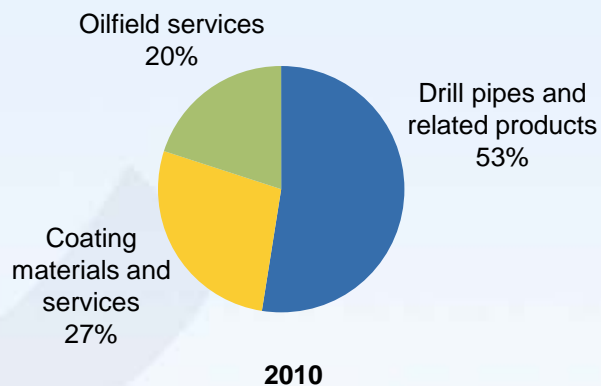
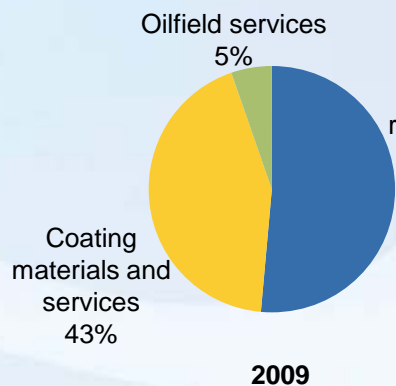
RMB MM



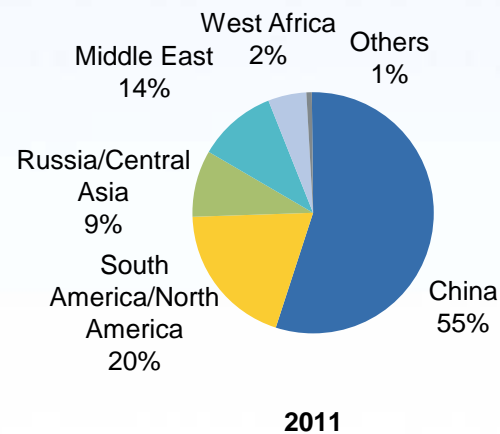
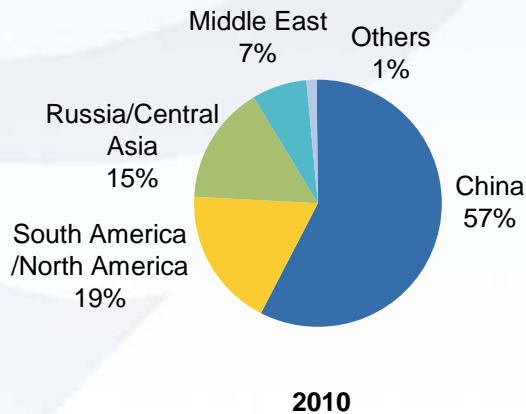
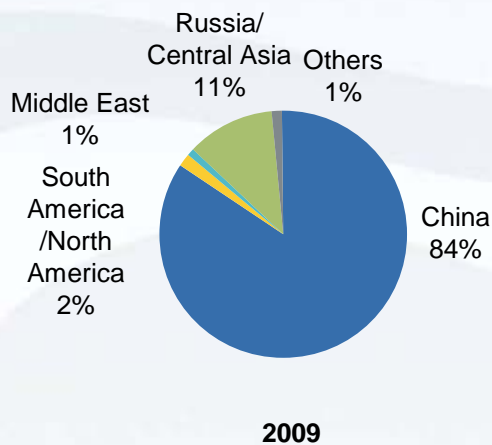
Revenue Breakdown



Revenue Breakdown by Product



Revenue Breakdown by Geography

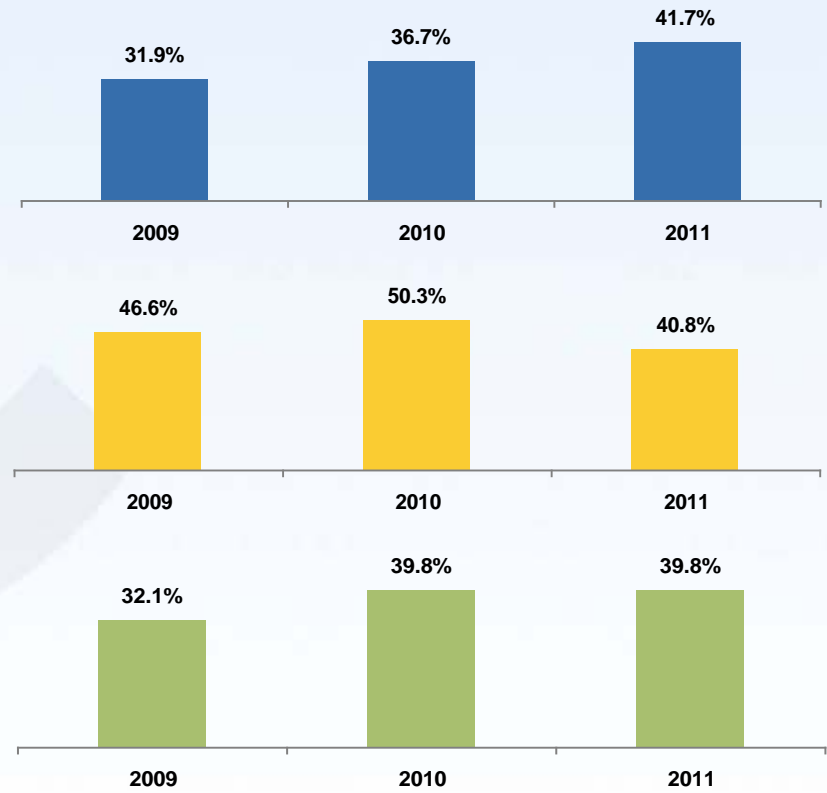
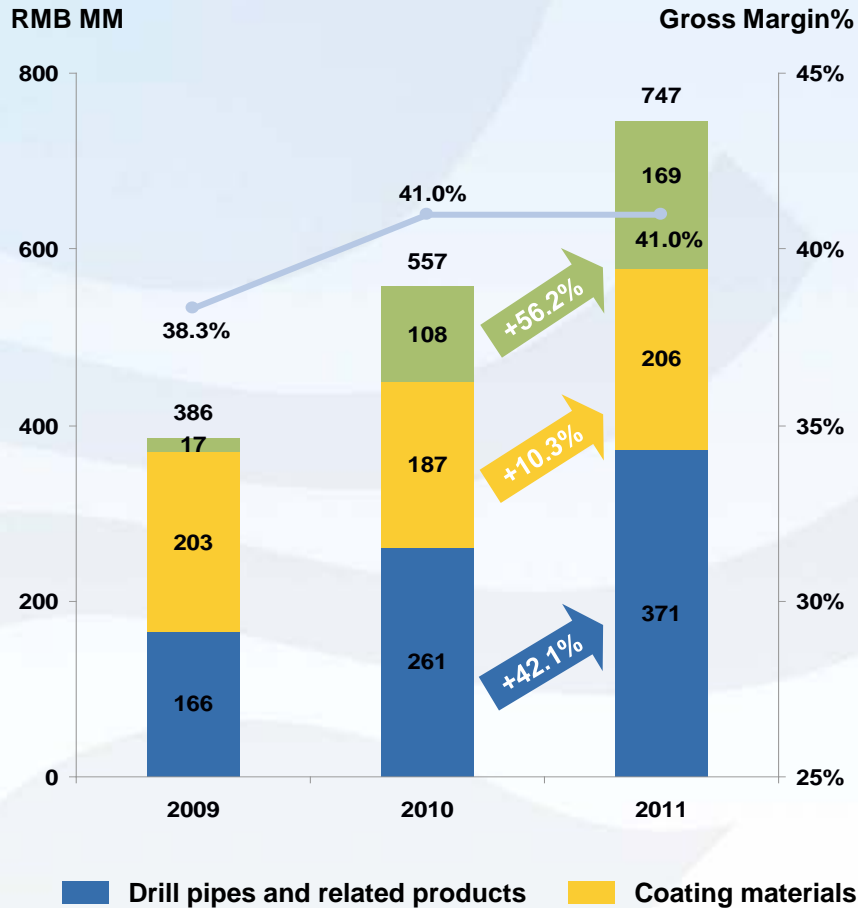


Gross Profit Analysis



Gross Profit +34.1% YoY in 2011

Gross Margin by Segment

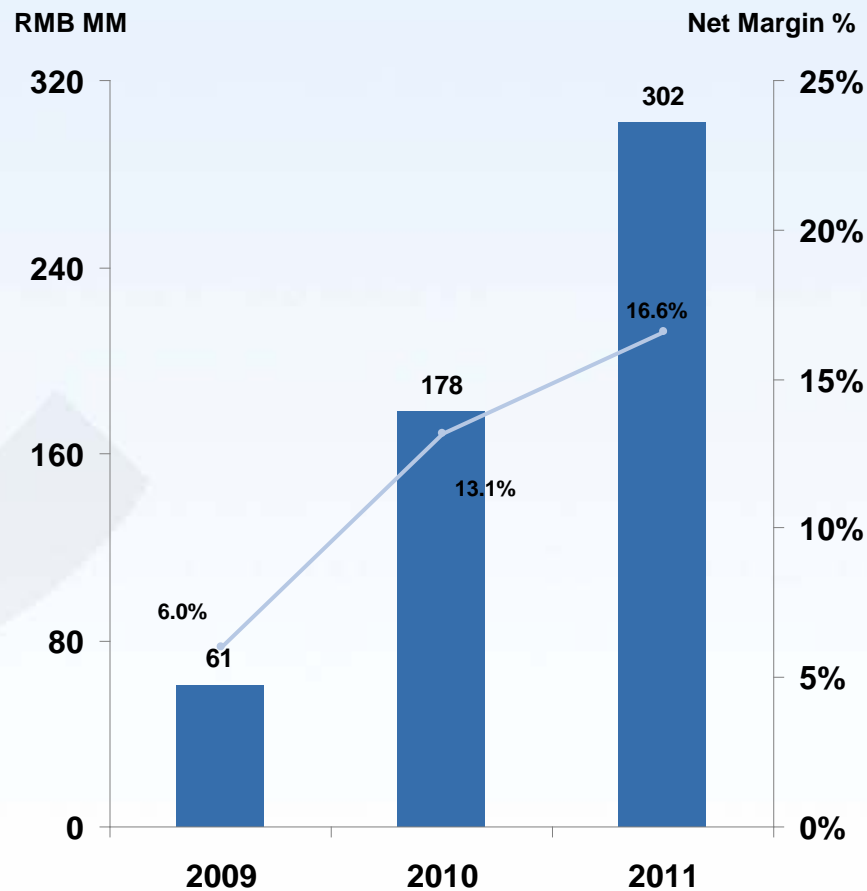
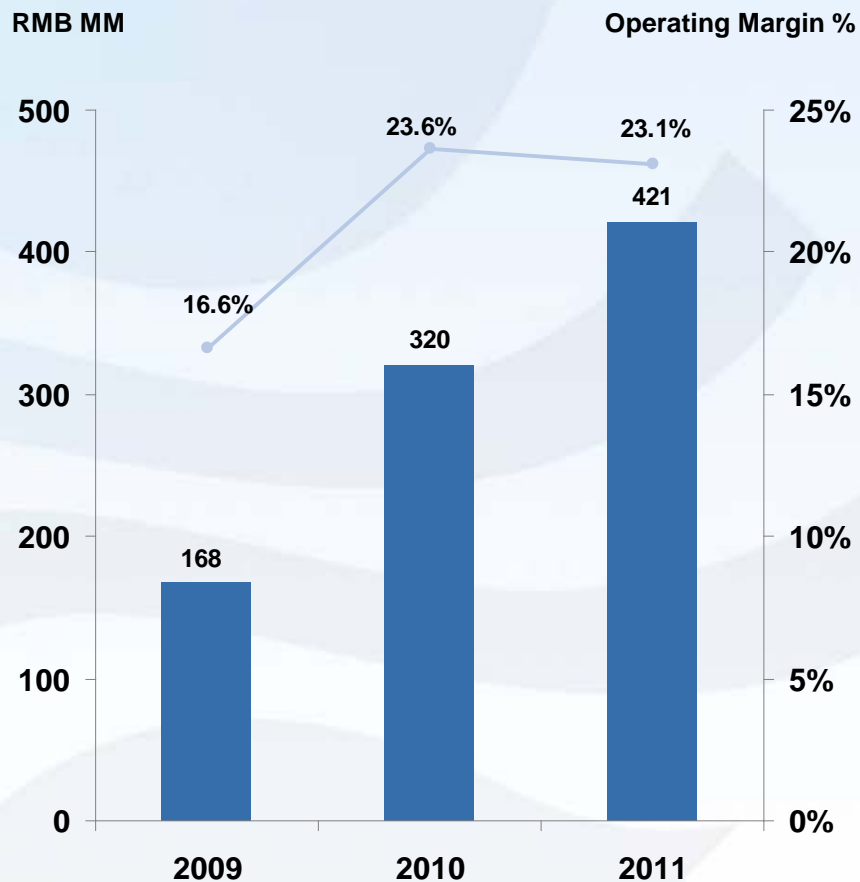


Operating and Net Profit



Operating Profit +31.4% YoY in 2011

Net Profit +69.1% YoY in 2011



Capital Structure and Return



Capital Structure

RMB MM	2009	2010	2011
Cash and Equivalent	142	247	322
Current Assets	1,418	1,845	2,202
Total Assets	2,188	2,768	3,574
Short-Term Debt	426	803	583
Long-Term Debt	12	1	179
Total Liabilities	1,175	1,863	1,535
Shareholders' Equity	821	683	1,860
Minority Interests	192	223	178
Total Equity	1,013	906	2,039

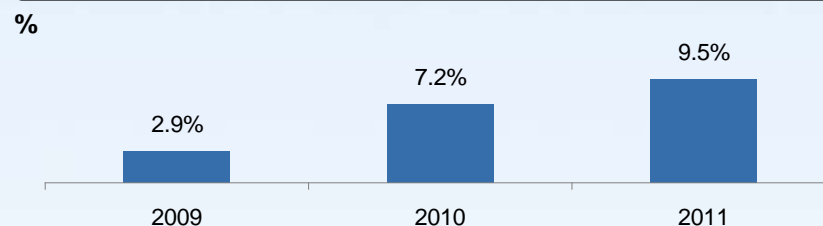
Note:

1: Net profit / average asset of the beginning and the end of the period

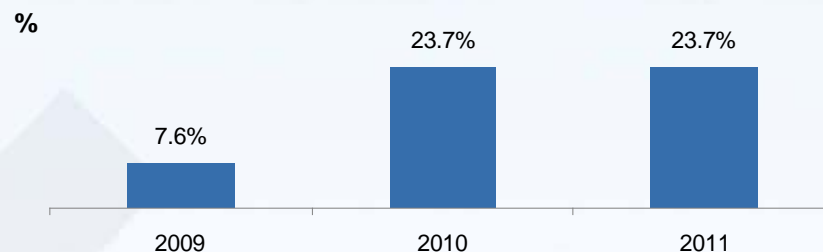
2: Net profit / average shareholders' equity of the beginning and the end of the period

3. Net Debt = Long term debt + short term debt – cash and cash equivalent, total cap = shareholders' equity + minority interests + net debt

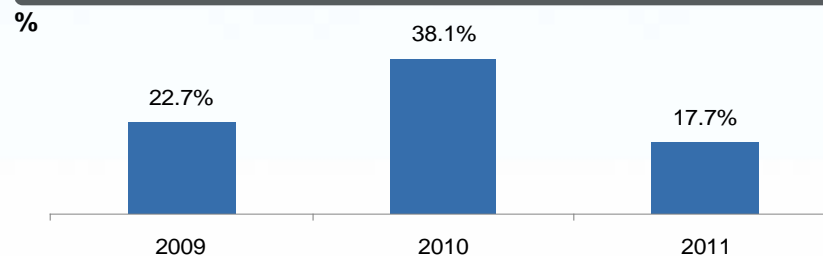
Return on Average Assets (1)



Return on Average Equity (2)



Gearing Ratio: Net Debt/Total Cap(3)

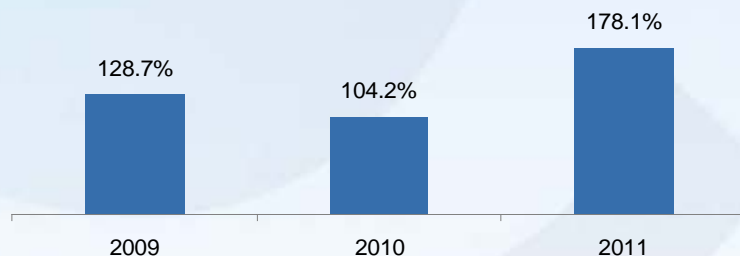


Liquidity and Turnover Days



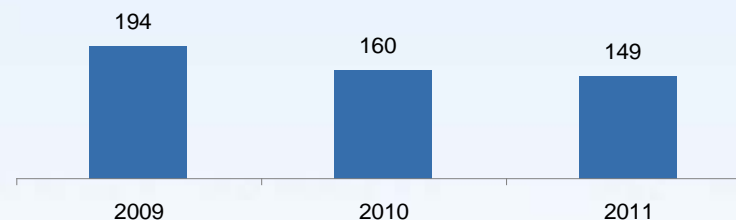
Current Ratio

%



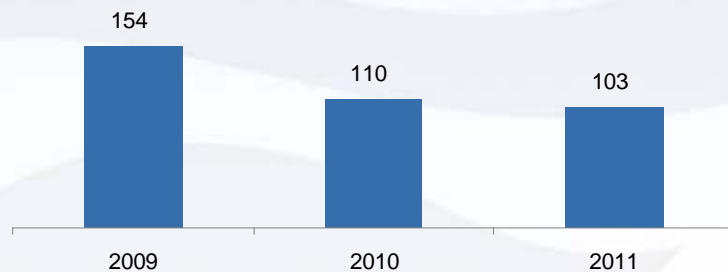
Average Inventory Turnover Days⁽¹⁾

Days



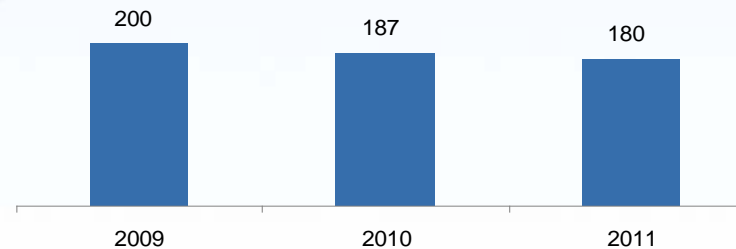
Average Trade Payable Days⁽²⁾

Days



Average Trade Receivable Days⁽³⁾

Days



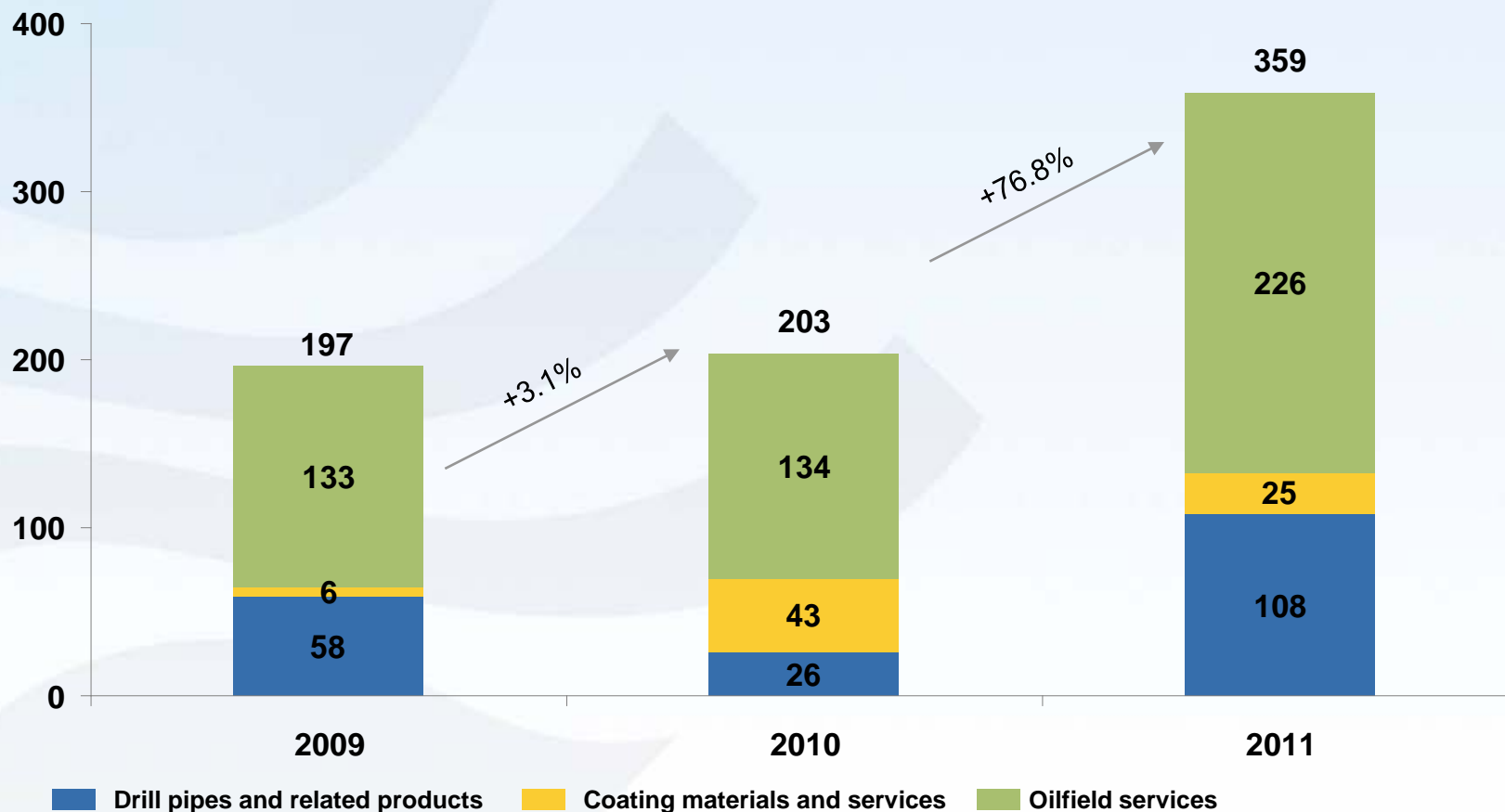
- Note:**
- 1: Average Inventory days = 365.25days * average inventory of this period / cost of sales of this period
 - 2: Average trade payables days = 365.25days* average trade payables of this period/ cost of sales of this period
 - 3: Average trade receivable days = 365.25 days* average gross trade receivables of this period/ revenue of this period

Capital Expenditure



Capital Expenditure

RMB MM





2012 Outlook



Continue to enhance our competitiveness to maintain the momentum of growth

- ❖ Adapting to the market condition, upgrade and expand production capacity, focus on R&D of high end products and widen products applications
- ❖ Further expand international markets and recruit more high quality customers
- ❖ Actively look for acquisition opportunities to further integrate vertically along the value chain

• Vertical integration: actively look for acquisition opportunities along the value chain to reduce costs and to provide more comprehensive products and services

• Production: continue to focus on R&D and marketing of high-end products
• Market: further expand international markets, in particular, Middle East and South America

• Capacity expansion: continue to build OCTG coating service plants in Russia and Canada
• Widen application: continue the R&D on high end coating materials and widen their applications

• Capacity expansion: purchase or rent 1-2 more drilling rigs
• Services: continue to strengthen capabilities to provide comprehensive services

Raw
Materials

Drill Pipes and
Related Products

Coating
Materials and
Services

Oilfield
Services