



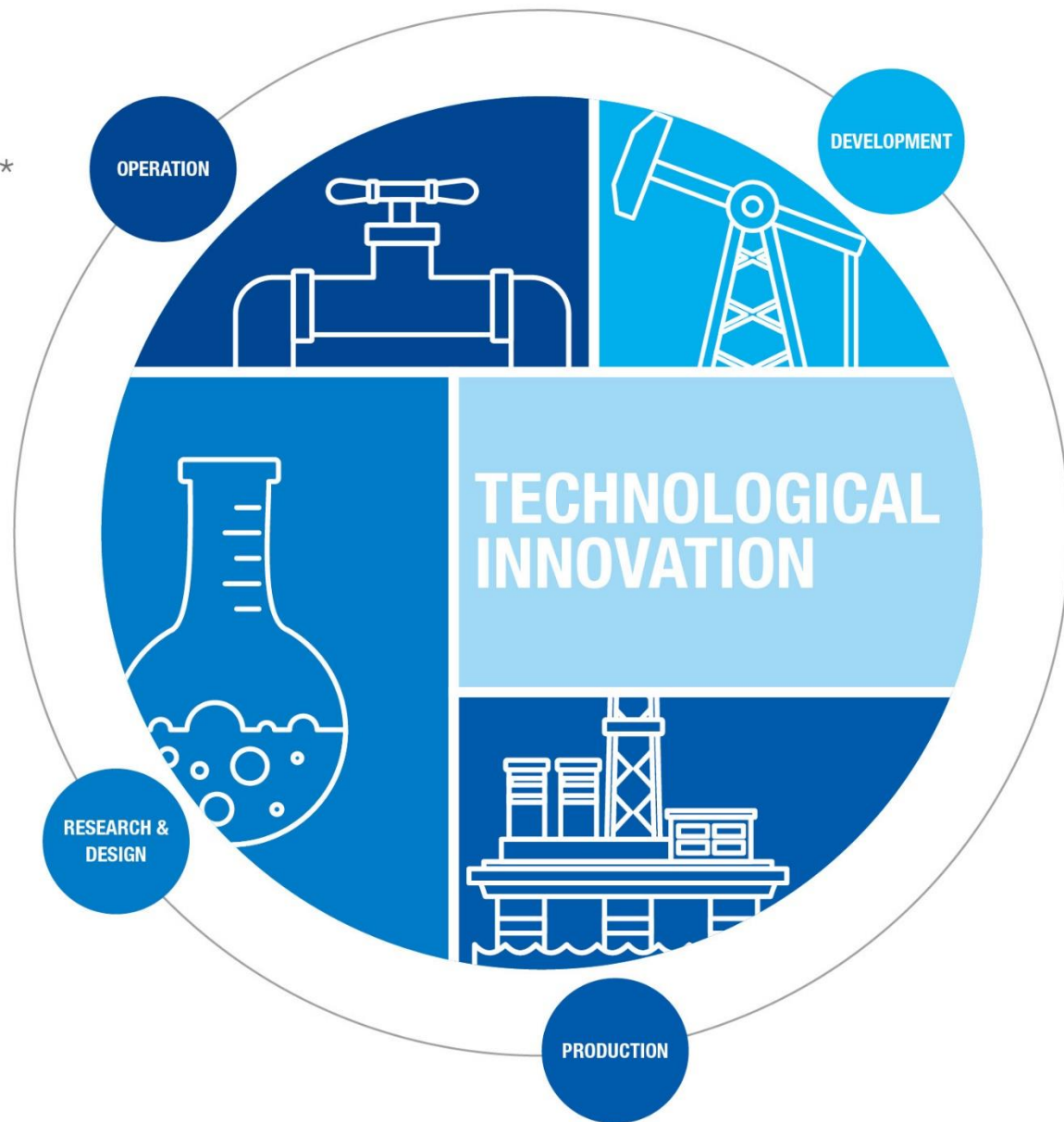
海隆控股有限公司*
Hilong Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1623

* For identification purpose only

2019 Annual Results Presentation





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Results Highlights



Results Highlights

During the year, Hilong achieved steady business growth, record revenue of RMB 3.649 billion, representing an increase of 13.3%. Net profit amounted to RMB188 million, representing an increase of 24.9%

Oilfield services

- ❖ Maintained healthy operation and stable revenue
 - ❖ Continued improvement in rig utilization, to historical high. Further improvement in management and increase in level of operation, break many operational records and receive awards from clients
 - ❖ Good progress in new projects. The PDO and BP projects commenced operation
- ❖ Adjusted business layout. Deploying resources and drilling teams to strengthen relationship with core customers such as Shell, BP and PDO etc.

Line pipe technology & services

- ❖ Overall revenue remained stable. Grew by 10.5% as compare to last year
- ❖ Breakthrough in CWC business, with significant growth in business volume during 2019. Strong recovery in line pipe coating service market in two consecutive years
- ❖ Pipeline integration business layout was basically completed, and continued to improve business capabilities to undertake more pipeline inspection projects
- ❖ As the National Pipe Network Company was established at the end of 2019, it is believed to be an tremendous development opportunities for Hilong

Oilfield equipment manufacturing & services

- ❖ Drill pipe and related products market performed well and achieved record high revenue
 - ❖ Robust growth in domestic market, increased in upstream capital expenditures resulted in a significant increase in both volume and ASP. Generated more [non-API] products demand
 - ❖ In the oversea market, the Company focused on high end and high value add orders. As a result, export volume was down but ASP was up by 12.4%
- ❖ OCTG coating services laid by strong overseas growth, record a remarkable increase of 45.7%

Offshore engineering services

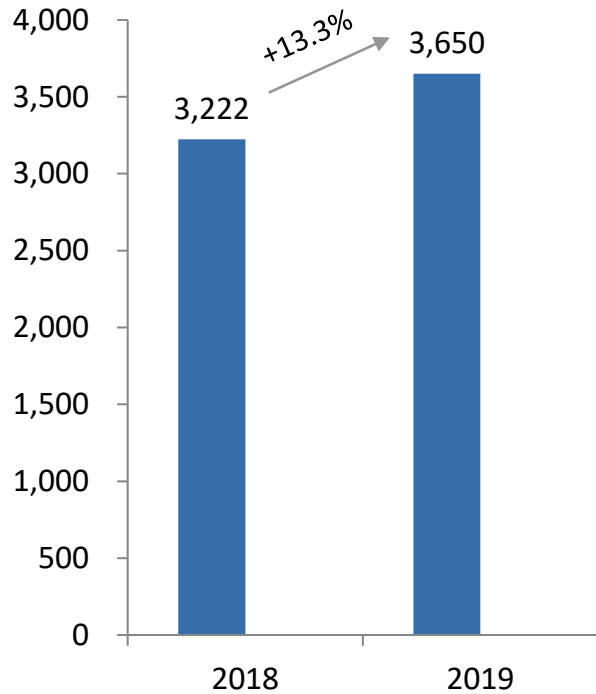
- ❖ During the period, HL106, completed a number of key projects. Revenue up 6.2% to RMB 354 million
- ❖ Bengal project received revenue of RMB279.0 million
- ❖ The BOKOR project received revenue of RMB65.9 million
- ❖ On 25 July 2019, the Group announced the establishment of a joint venture with Swiber Offshore Construction (SOC), to explore future opportunities



Financial Overview

Revenue

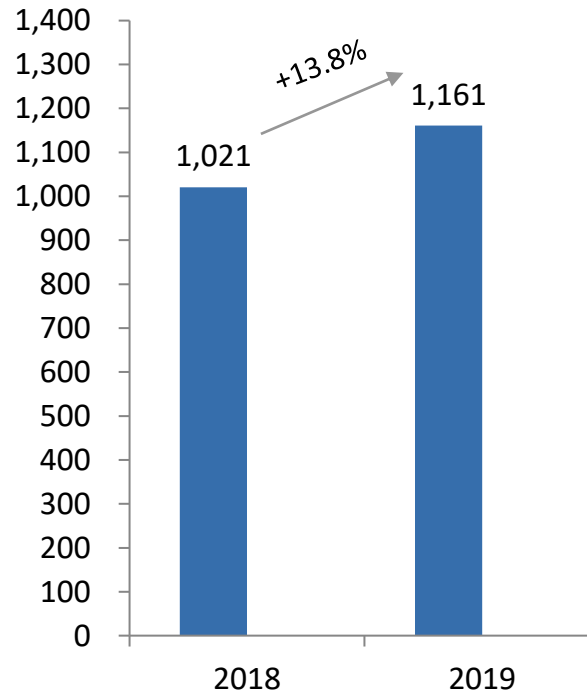
RMB mm



Total Revenue

Gross Profit

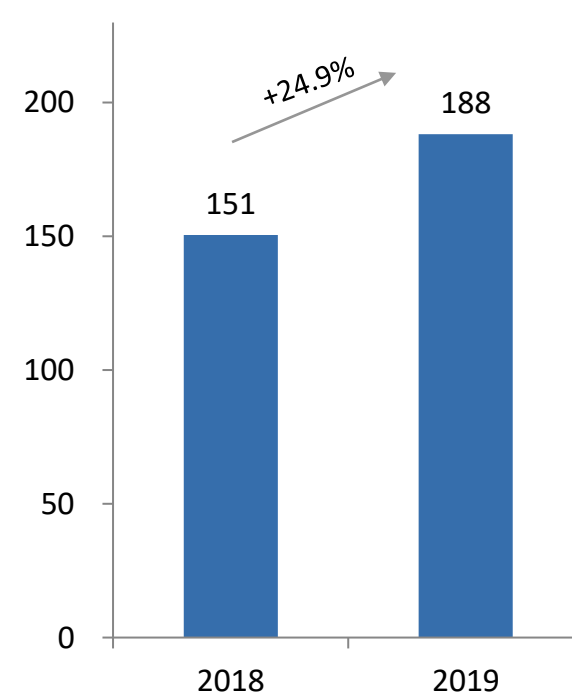
RMB mm



Gross Profit

Net Profit

RMB mm



Net Profit

(1)

- 2019 revenue amounted to RMB3.65 billion, representing a yoy increase of 13.3
- Net profit reached RMB188 million, a yoy increase of 24.9%

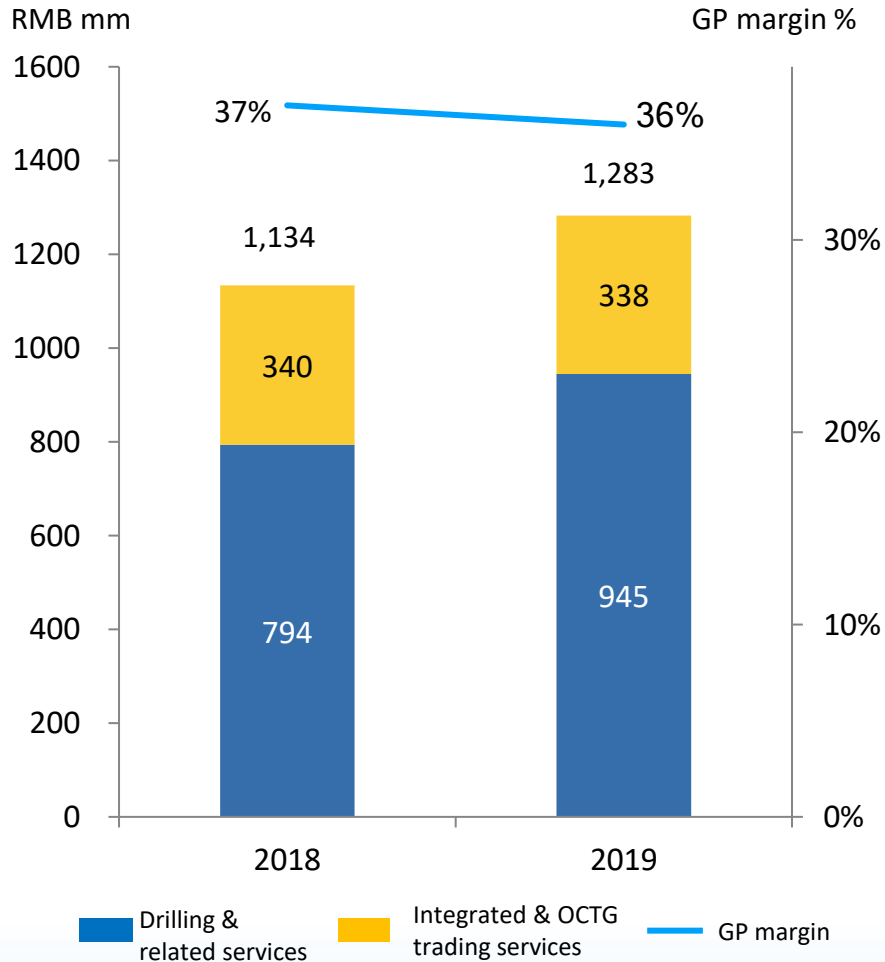


Business Review



Segment Revenue: +13%

**Strong Growth in Drilling Services,
Focusing on First-tier International Customers**



Achieved strong growth in traditional drilling services, with revenue increased by 19% yoy

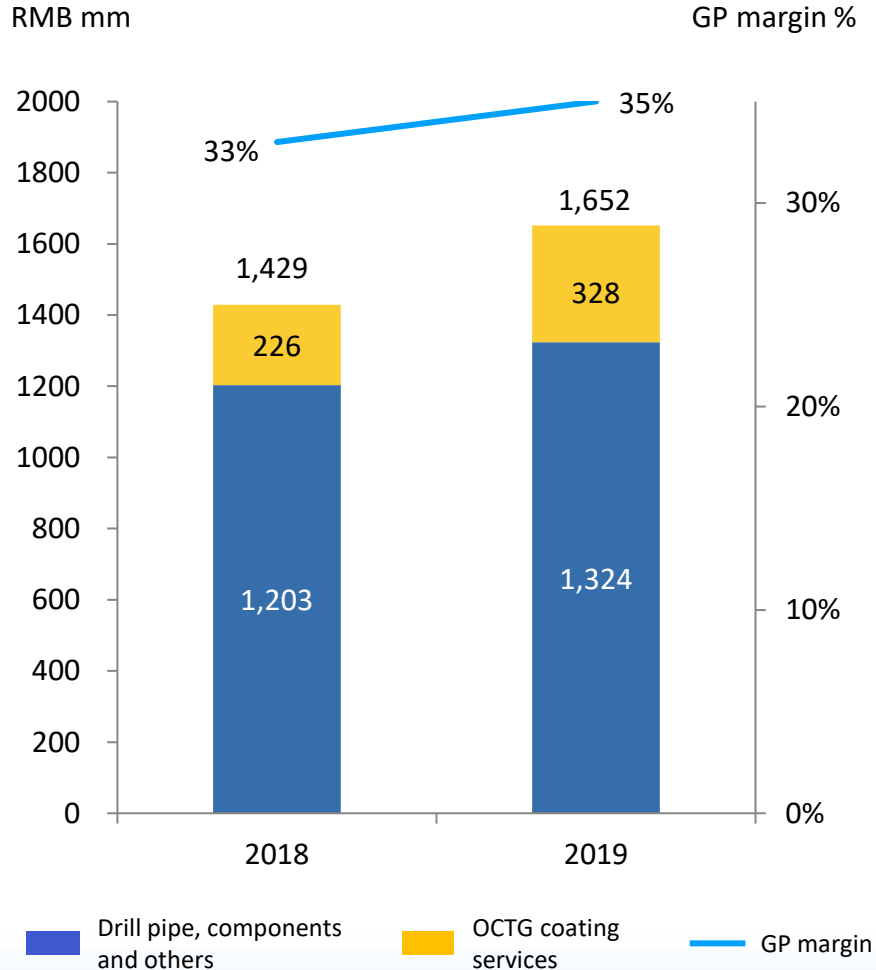
- ❖ Steady improvement of existing rigs utilization and reached historical high. Further improved management ability with significantly improvement in various KPIs (such as HSSE etc.)
- ❖ Outstanding performance in various drilling teams, and break several records, and receive awards from clients
 - ❖ High-end automated drilling rig HL58 contracted to PDO was often ranked first in respect of its composite KPI scores among the ten drilling teams operating in the same area, received cash award from the client
 - ❖ HL59 completed a 3,500-meter drilling operation in the Mabrouk block. Recorded 10.32 days earlier than originally planned, which set the fastest record for similar drilling operations
- ❖ During the period, Hilong oilfield service segment adjusted its client structure, putting more focus on first-tier international customers like Shell, BP and PDO etc.

Oilfield Equipment Manufacturing and Services



Segment Revenue: +15.7%

**Rapid Growth in the Domestic Market
Strong Rebound of Demands for High-end Products**



Drill pipe and related products

- ❖ Sales of drill pipe recorded growth for 3 consecutive years. Production level has been above maximum capacity
- ❖ Domestic sales of drill pipes increased significantly from 12,362 tonnes last year to 19,284 tonnes. ASP increased by 4.0% to RMB16,653
- ❖ The Group had also achieved gratifying results in overseas high-end market, international ASP increase by 12.4%

OCTG coating services

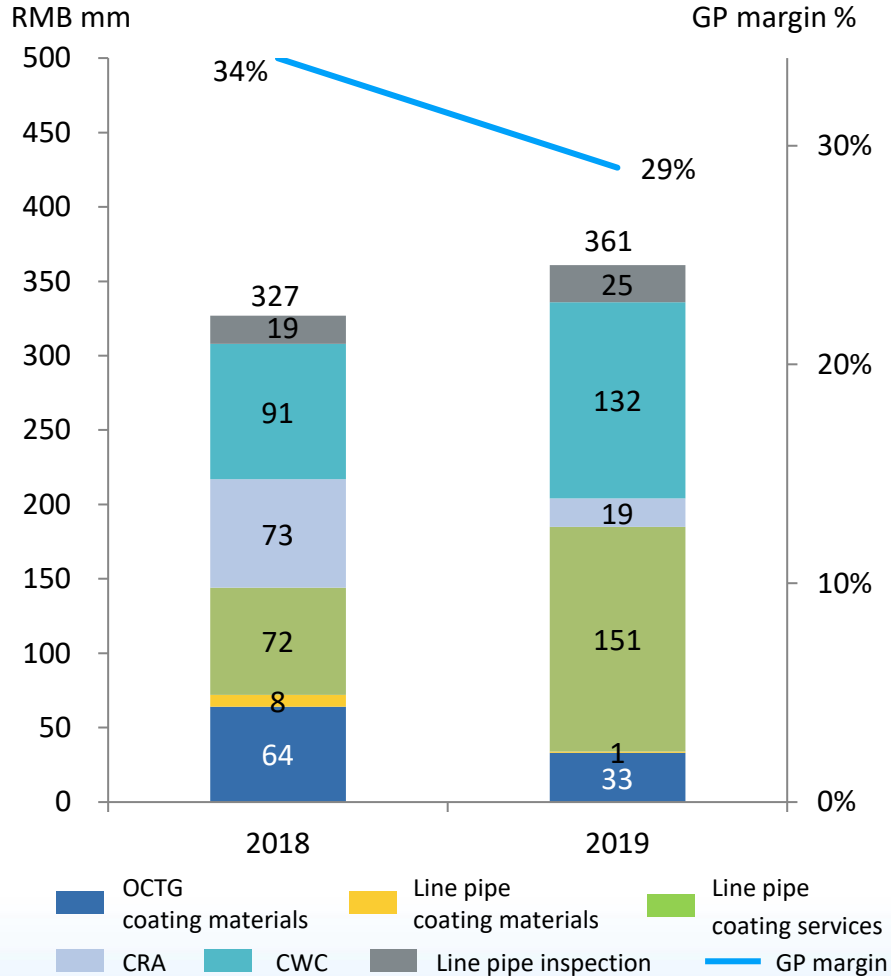
- ❖ Strong overseas growth helped to achieve 45.7% growth in this business. This helped to improve gross margin in this segment

Line Pipe Technology & Services



Segment Revenue: +11%

Stable Growth in Revenue
Tremendous Development Opportunities

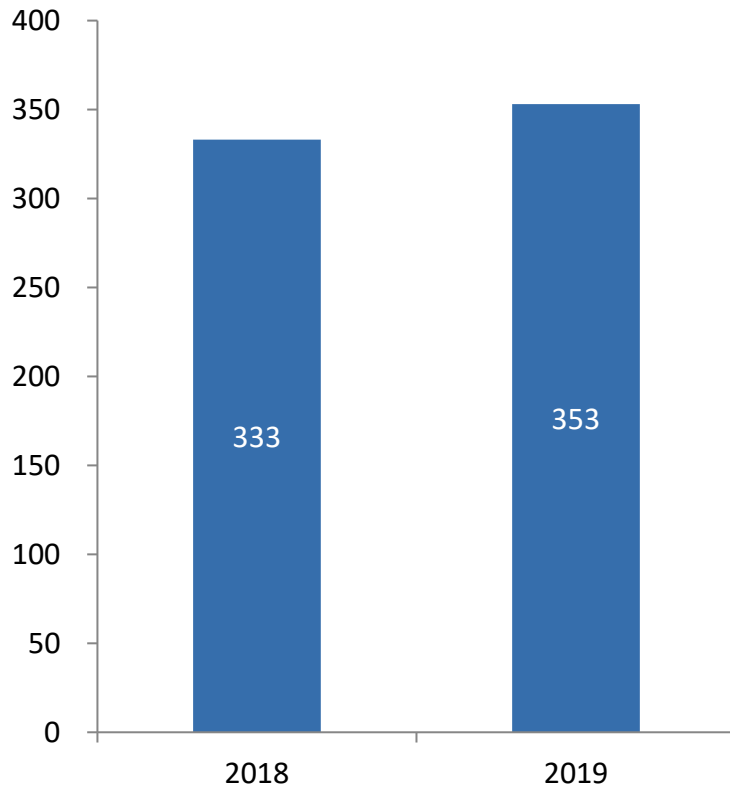


- ❖ High-end series products achieved technological and markets breakthrough
- ❖ CWC Subsea weighted pipeline product achieved a number of key contracts, revenue increased from RMB 90 million last year to RMB 131.5 million, recorded an increase of 44.7%
- ❖ Line pipe Coating services saw a strong rebound with revenue increased by 110% to RMB 151 million
- ❖ Pipeline inspection services record revenue of RMB 25 million. Continued to improve ability to undertake more projects
- ❖ As the National Pipe Network Company was established at the end of 2019, which indicated that the country's large investment and construction in the field of energy transmission pipelines to be coming. It is believed to be an tremendous development opportunities for this segment

Offshore Engineering Services

Segment Revenue: +6.2%

RMB mm



Offshore Engineering service

Introduction of strong Cooperation in the Future

- ❖ Successfully completed a number of key projects and achieved steady growth during the year
 - ❖ Bengal project realized revenue of RMB 279 million
 - ❖ BOKOR project realized revenue of RMB 65.9 million
- ❖ On 25 July 2019, the Group announced the establishment of a joint venture with Swiber Offshore Construction (SOC) for the purpose of joint participation in the bidding for offshore engineering services. Both parties are committed to integrating their respective favorable advantages and resources through such cooperation to achieve resource complementation, jointly capturing market opportunities on the basis of involving neither assets nor material investments

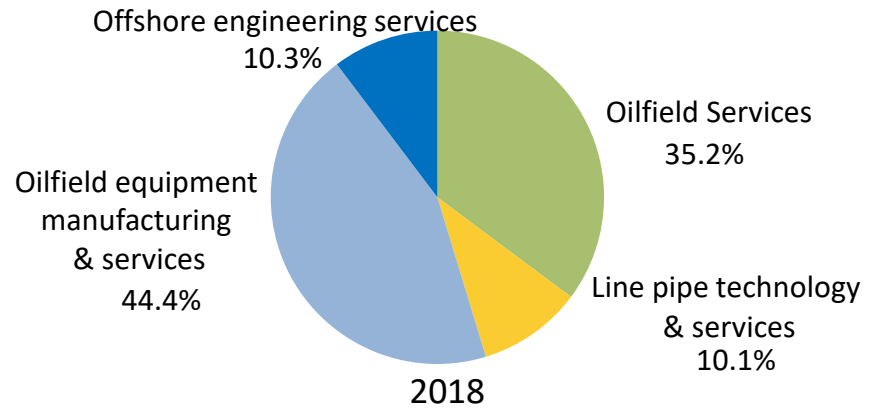
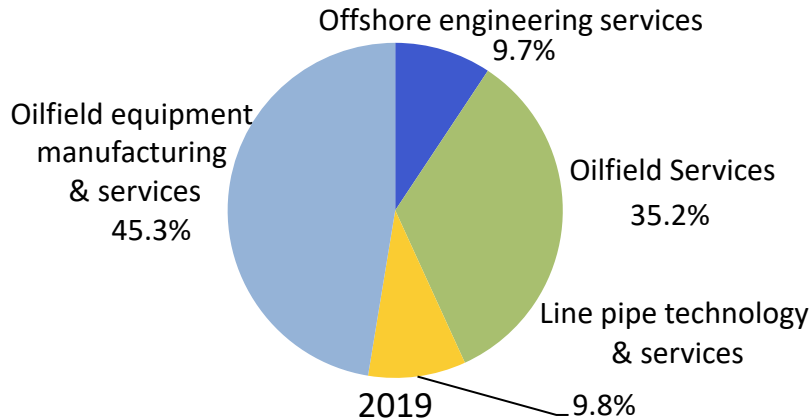


Financial Performance

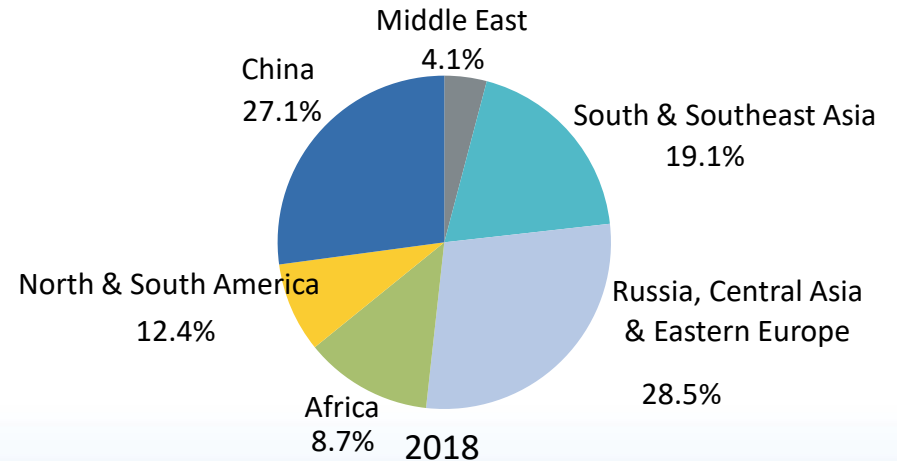
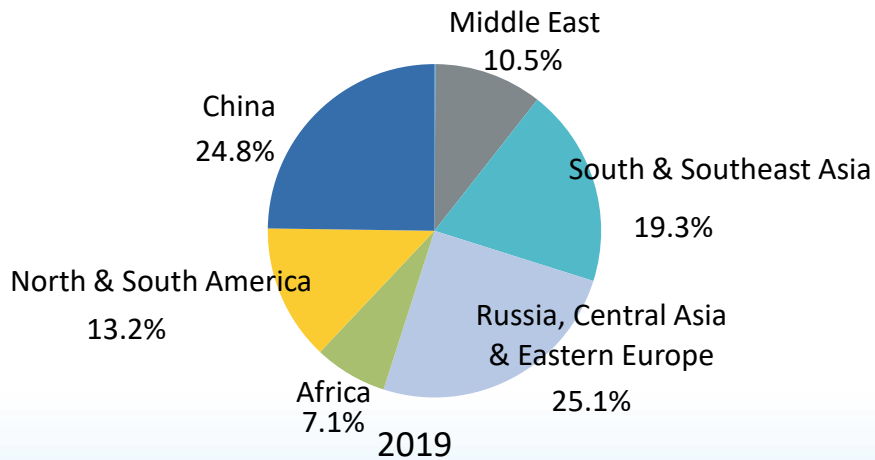
Revenue Breakdown



Revenue Breakdown by Segment

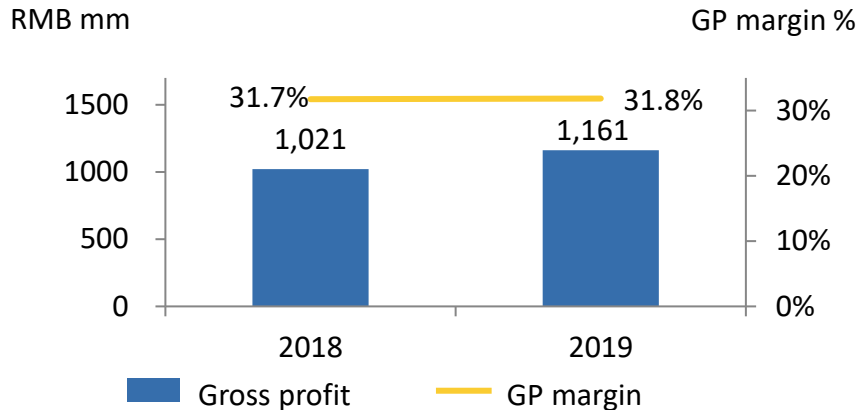


Revenue Breakdown by Region

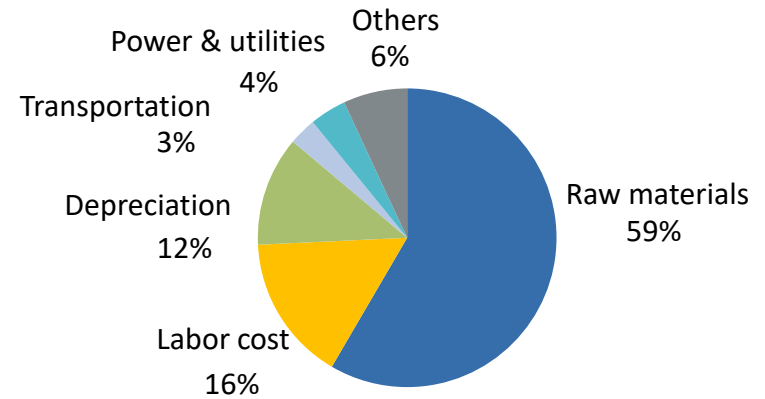


Analysis on Cost, Gross Profit and Changes in Account Receivable

Stable Gross Profit Margin



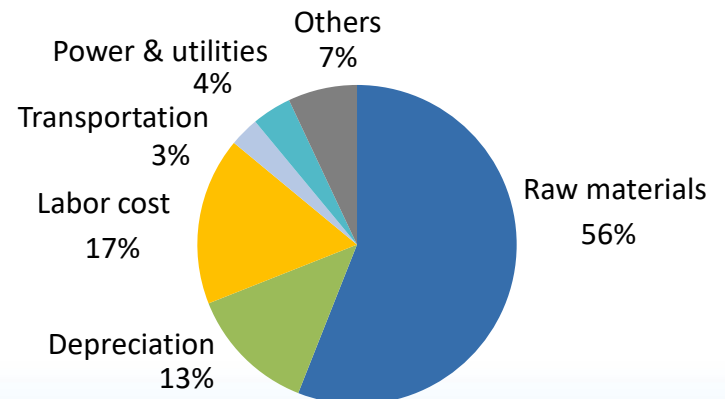
Total Cost in 2018: RMB 2.2 billion



Account Receivable

'000 RMB	2019	2018
- Within 90 days	907,375	1,000,596
- over 90 days and within 180 days	388,624	212,306
- over 180 days and within 360 days	341,155	371,425
- over 360 days and within 720 days	352,456	135,565
- over 720 days	96,766	88,027

Total Cost in 2019: RMB 2.49 billion



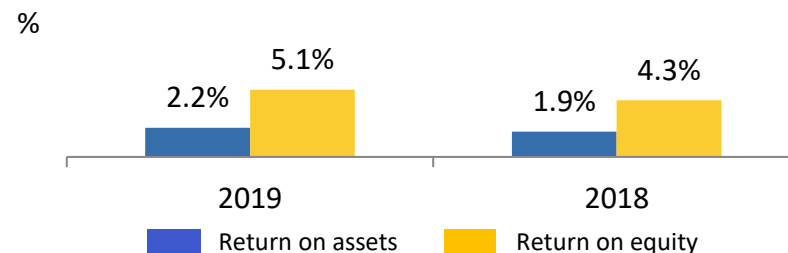


Capital Structure and Return Rate

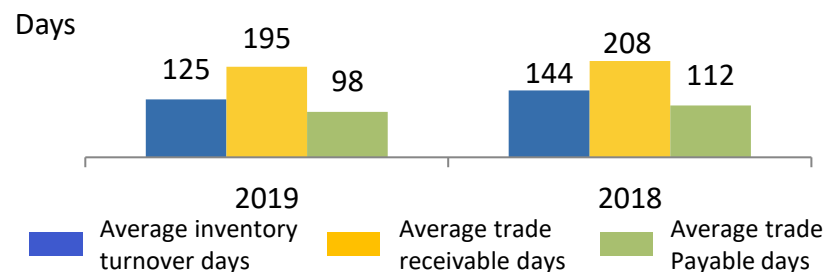
Capital Structure

	2019	2018
RMB mm		
Cash & cash equivalents	783	662
Current assets	4,674	4,035
Total assets	8,541	7,900
Short-term debt	1,712	576
Long-term debt	1,531	2,495
Total liabilities	4,835	4,378
Shareholders' equity	3,663	3,309
Minority interest	44	213
Total equity	3,706	3,522

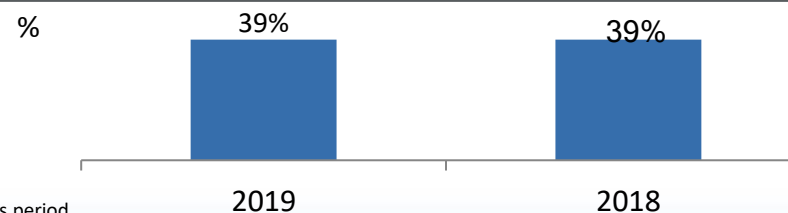
Return on Assets & Return on Equity (1)



Turnover Days for Current Assets (2)



Gearing Ratio: Net Debt/Total Capital (3)



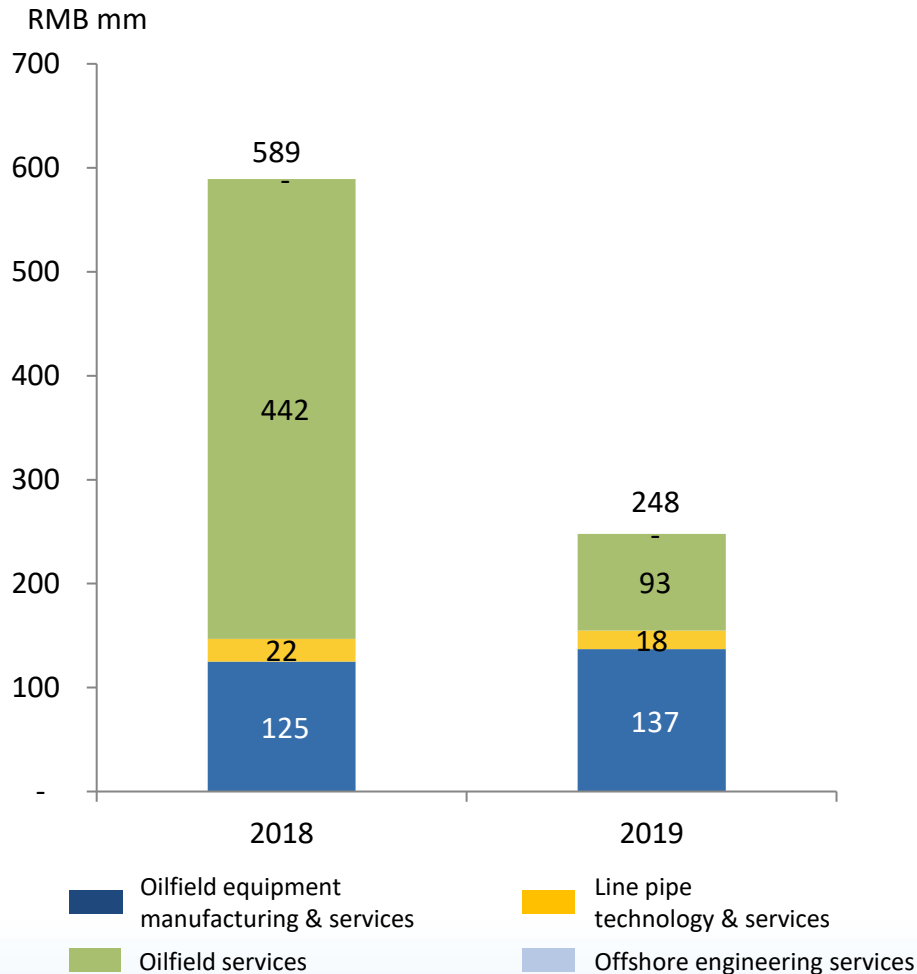
Note:

- Return on assets = net profit / ending balance of total assets;
Return on equity = net profit / ending balance of total 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 and restricted cash, total capital = total equity + net debt



Capital Expenditure







Capital Expenditure Breakdown



Major Capital Expenditure Projects

-  Oilfield services
 -  Capital expenditure on normal maintenance of existing rigs

-  Line pipe technology & services
 -  Investment in line pipe inspection equipment

-  Oilfield equipment manufacturing & services
 -  Fixed asset investment in drill pipes leasing service amounted to approximately RMB 80 million

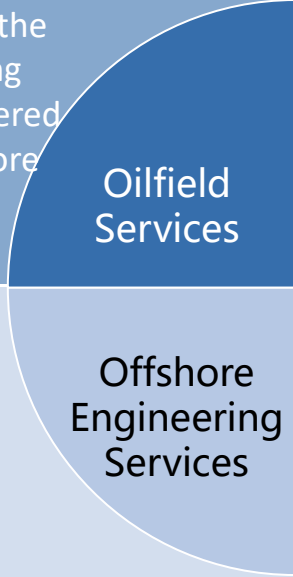


Business Outlook

Proactive Response to Market Changes

Leverage Business Competitive Strength; Proactively Embracing Uncertainty in the Market

- Most of the OFS contracts are date rate contact which normally has a term of 3 years. The longest contract term such as that in the case of our current PDO and BP contracts are 10+5 and 5+1 years. Stronger resistance to periodicity
- since last year, the group has been focusing its assets to serve its core client. Among the 22 drilling and workout rigs, 8 are working with Shell, BP and PDO which are considered international first-tier customers. Has more guarantee in future business volume and accounts receivables



- We have achieved a bigger international drill pipe market share compared with 2015/16. We have a better balance between domestic and different international markets

- The explosive growth in the domestic market saw last year was due to the emphasis on domestic energy security, which is less affected by international oil price
- OCTG coating service has higher entry barrier and higher risk resistance

- Actively develop the civilian offshore engineering market. Through the cooperation with Swiber, the group can further expand its operation ability and lower marketing cost

Offshore Engineering Services

Line Pipe Technology & Services

- The key target customers of line pipe technology and service segment are national oil and gas network's infrastructure, which has low correlation with international oil price
- As the National Pipe Network Company was established at the end of 2019, it is expected that there would be a huge investment in oil and gas transmission infrastructure development



Q & A