

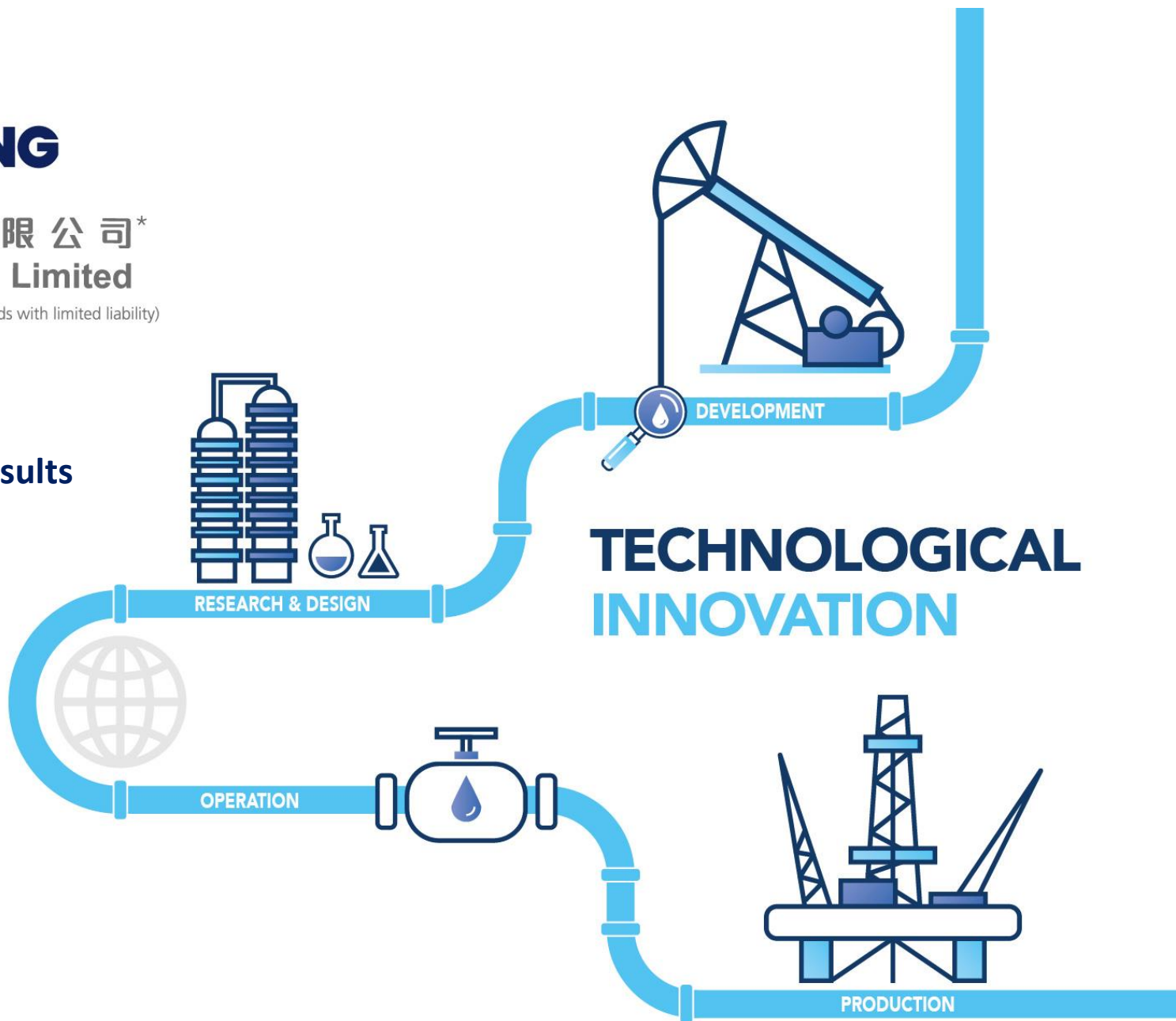


海隆控股有限公司*
Hilong Holding Limited

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

* For identification purpose only

2019 Interim Results
Presentation



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Results Highlights

Results Highlights

Hilong achieved strong business growth, with new profit reaching 150 million RMB, a growth of 97.6%. Good performance across all segments.



Oilfield services

- ❖ Maintained positive operation and significant growth in revenue
- ❖ Continued improvement in rig utilization
- ❖ Successful operation of new PDO and BP projects provide growth driver
- ❖ South American market showed signs of recovery not seen in the past few years
- ❖ Integrated services continued to show strong growth, benefit from good market recognition



Oilfield equipment manufacturing & services

- ❖ Strong domestic growth, beating our estimate
 - ❖ Domestic market continued its strong growth in the second half of last year, increased by 448% yoy
 - ❖ Good performance in the oversea market, ASP increased by 11%. New high-end orders
- ❖ OCTG coating services driven by international market, grown by 41.7%



Line pipe technology & services

- ❖ Overall revenue remained stable. High end business achieved strong growth
- ❖ Line pipe inspection services which saw technical breakthrough in the second half of 2018 achieved 728% growth
- ❖ CWC grown at 106%, become the largest product line in this segment.



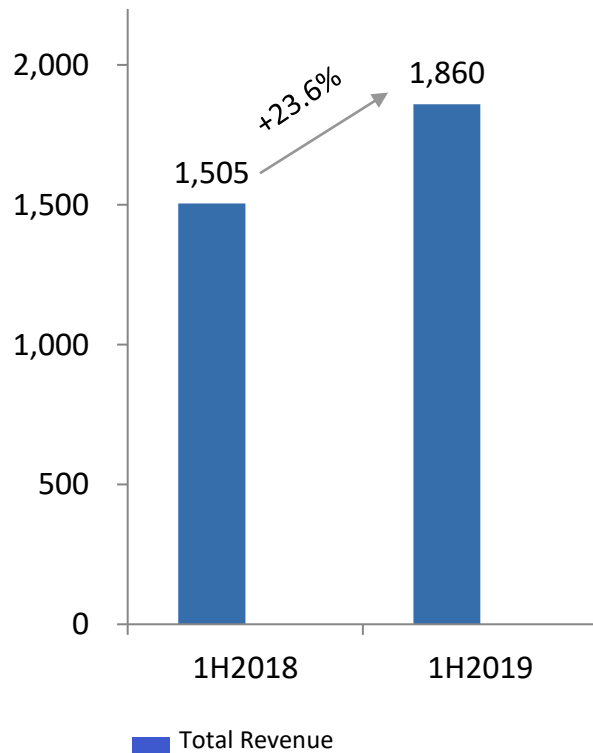
Offshore engineering services

- ❖ HL106 successfully completed project in Malaysia
- ❖ Record revenue of 120 million RMB
- ❖ During the period, the group established a JV with the Singaporean offshore construction company Swiber Offshore Construction (SOC) to jointly participate in the bidding for offshore engineering services

Financial Overview

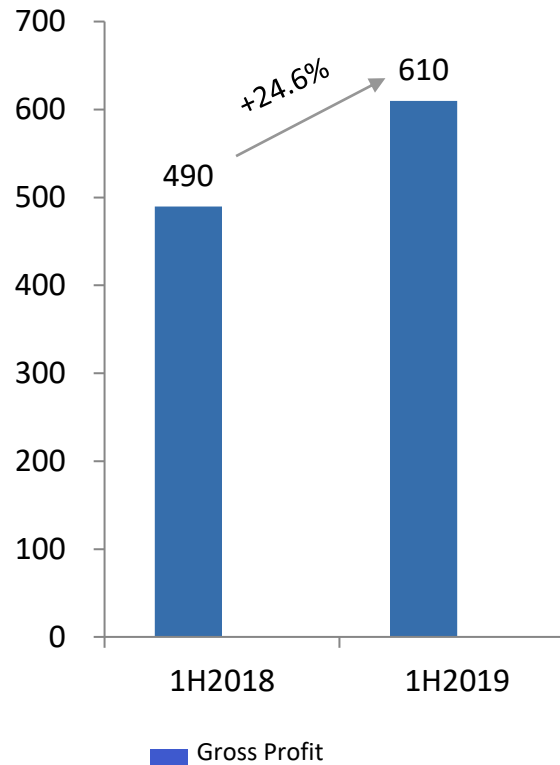
Revenue

RMB mm



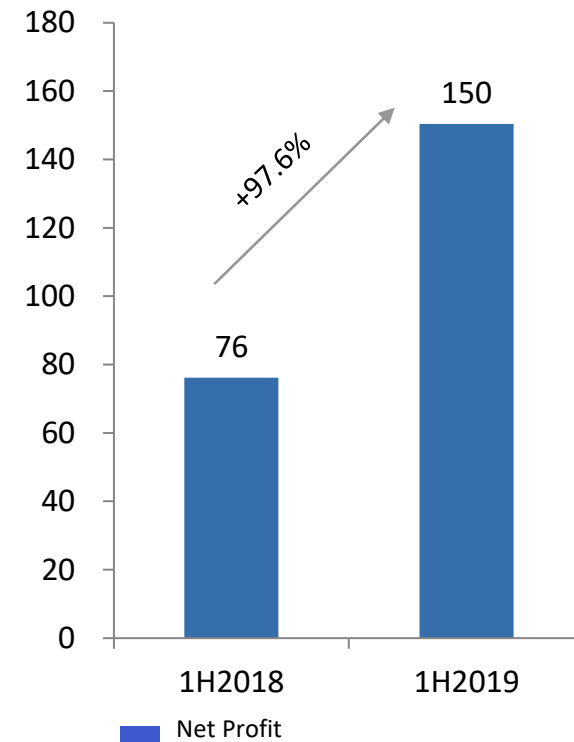
Gross Profit

RMB mm



Net Profit

RMB mm

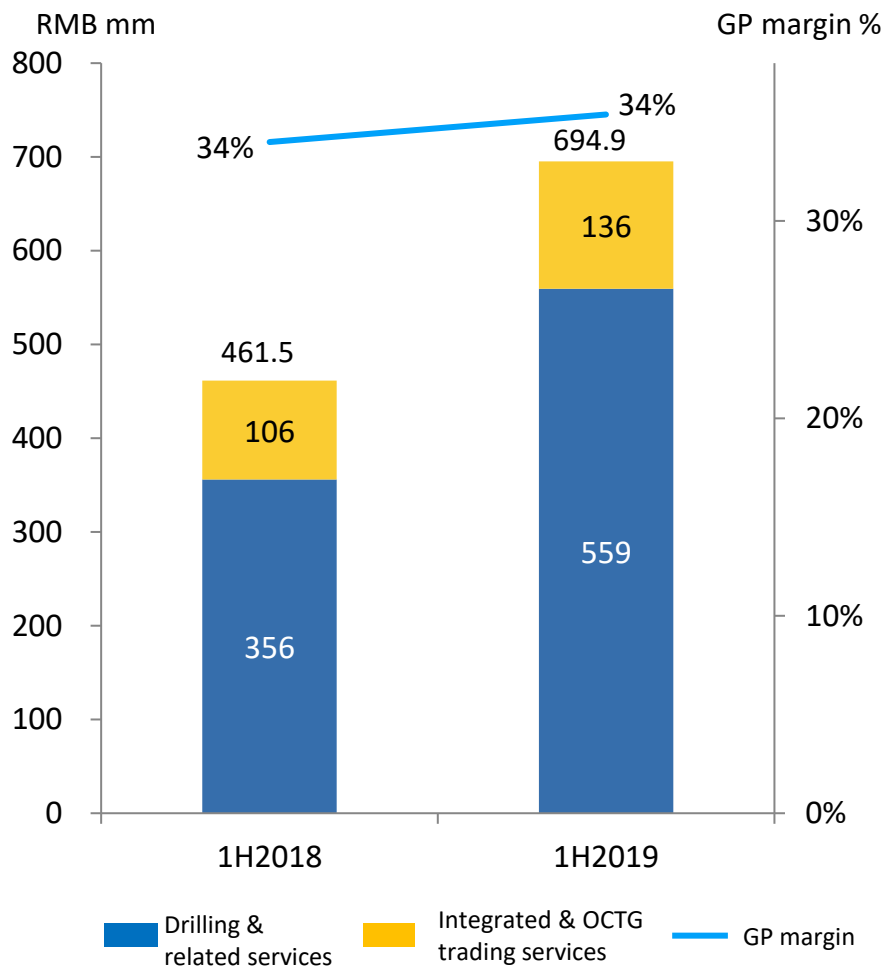


Business Review

Oilfield Services

Segment Revenue: +50.6%

Significant Growth in Drilling Services
Driven by New Projects

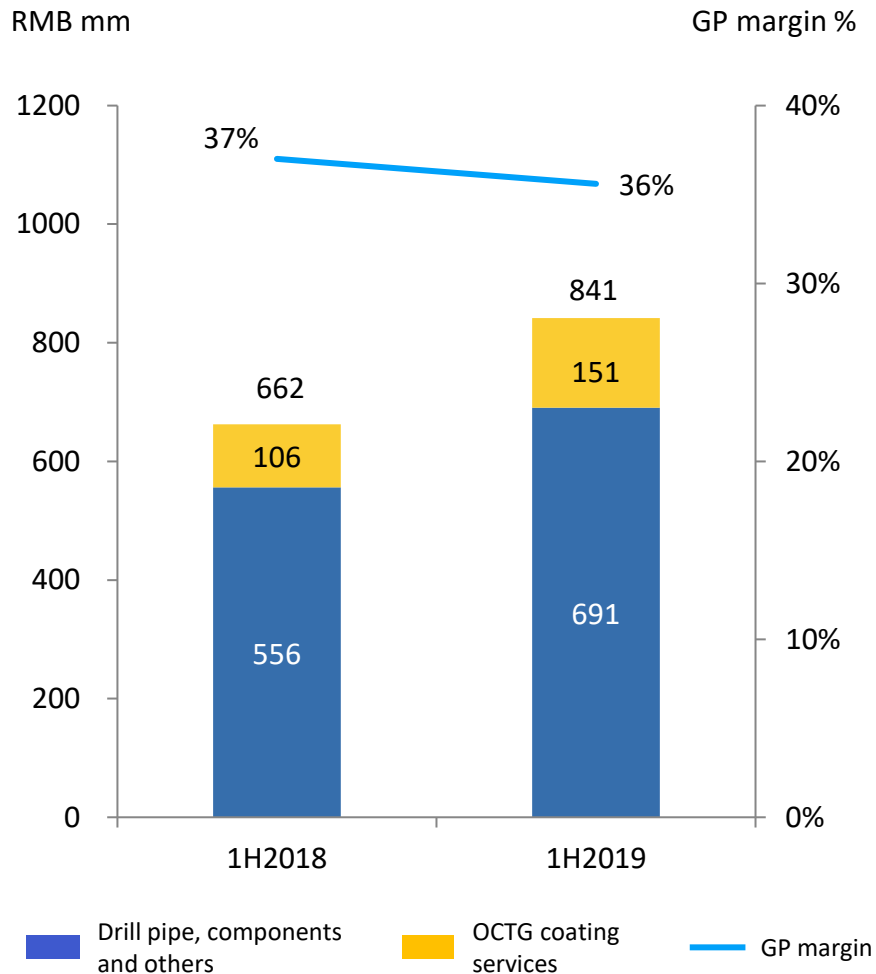


Strong operation in traditional drilling services

-  New Projects provide growth driver
 -  In 2018, the Group entered into new services agreements with Petroleum Development Oman (“PDO”) to provide two 2,000HP automated drilling rigs starting from October and November 2018 with an annual minimum contract value of no less than USD10 million per rig.
 -  In the second half of 2018, the Group entered into new services agreements with BP Iraq to provide two high-end workover services started in March 2019 with an annual minimum contract value of no less than USD8.5 million per rig.
-  Strong recovery in South American market
-  Integrated oilfield services continued to be the key growth driver, with over 20% growth helped the Group to improve its operating cash flows, enhance the capability on asset returns, reduced its dependence of Capx to grow.

Oilfield Equipment Manufacturing and Services

Stable Revenue with Improved Margin



Less Quantity, More High Quality Business

Drill pipe and related products

- ◆ The government emphasized the self-sufficiency in respect of domestic energy production resulted in strong spending growth by the domestic oil majors since second half 2018. Drill pipe market continued its growth saw in last year with over 448% growth in domestic sells
- ◆ Oversea market saw 11.5% increase in ASP
- ◆ Contribution of non-API continued to improve

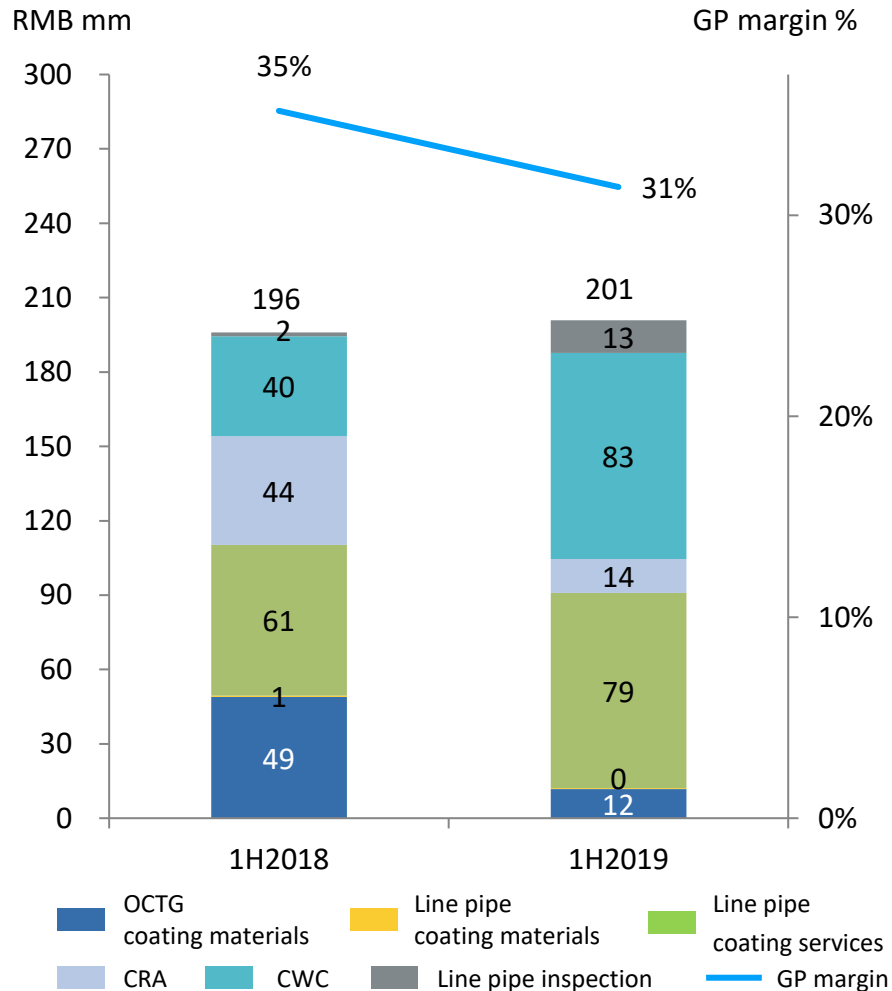
OCTG coating services

- ◆ Oversea OCTG coating services continue fast growth, driven the segment to grow at 41.7%

Line Pipe Technology and Services

Improved Product Mix, Record High in GP Margins

Breakthrough in High End Products



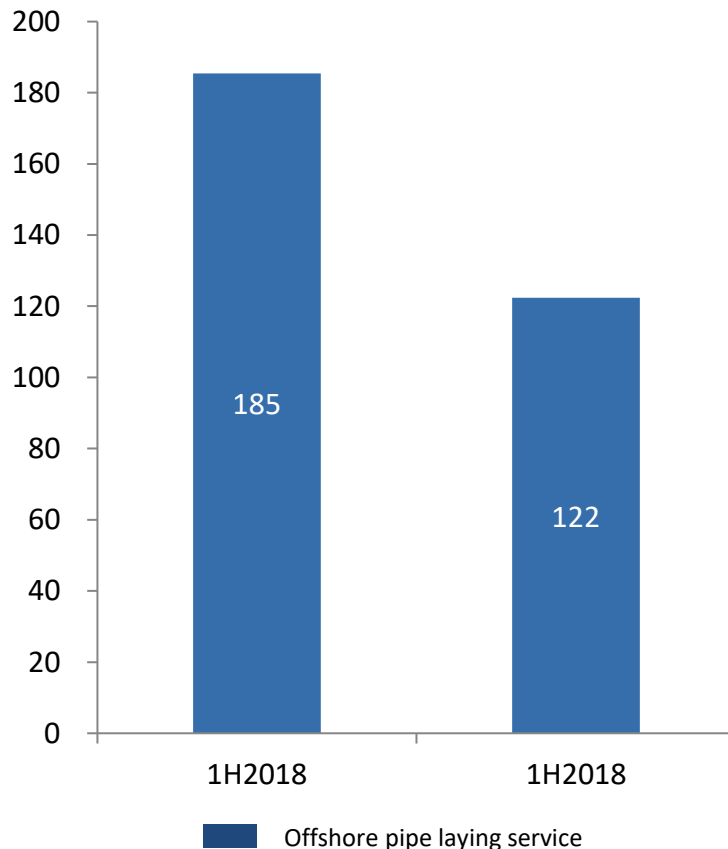
- ❖ Breakthrough in several High End Products
 - ❖ Line pipe inspection services saw technical breakthrough in the second half of 2018, on the basis it saw robust growth during the period with over 728% increase in revenue. Demonstrating the growth potential of the service.
 - ❖ CWC offshore line pipe continued its fast growth with 106% increase in revenue. During the period it became the largest product line in this segment.

Offshore Engineering Services

Segment Revenue: 120 million RMB

New Strategic Arrangement

RMB mm

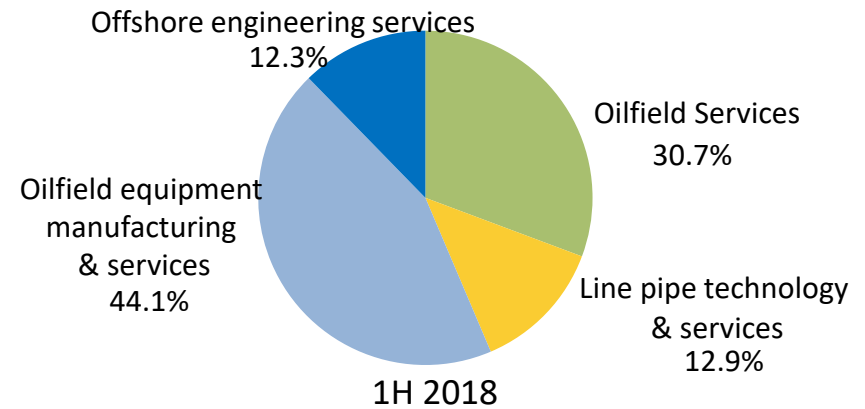
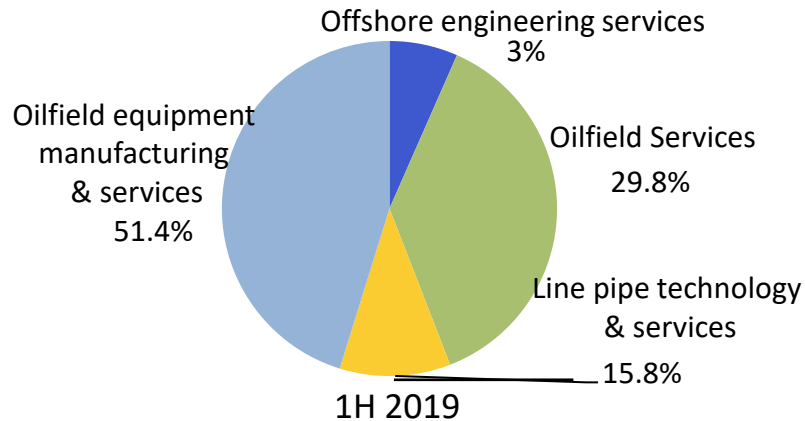


- ❖ During the Interim Period, Hilong's offshore engineering services segment completed the works in Malaysia, and recorded revenue of RMB122.4 million
- ❖ the Group recently made material strategic adjustment by announcing the establishment of a joint venture with Swiber Offshore Construction (SOC)
- ❖ With the gradual resuscitation of the global energy market, both parties reached a consensus that the offshore engineering services field was to embrace a new upward cycle. The JV allow both parties to integrate their respective superior resources and jointly grasp the market opportunities under the premise of involving neither assets nor material investments.

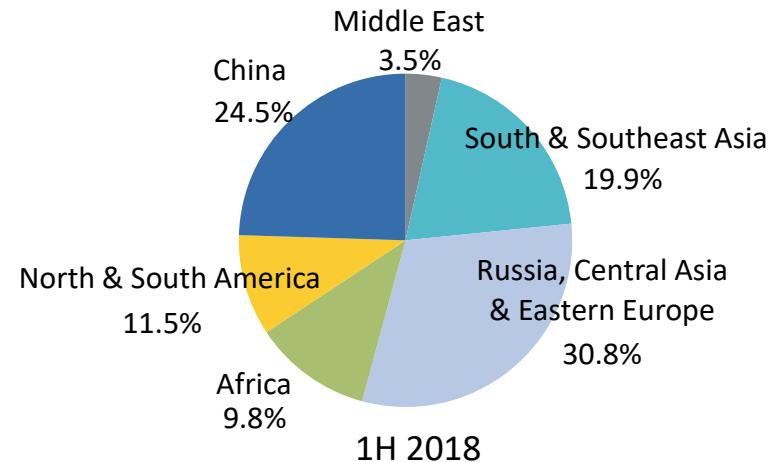
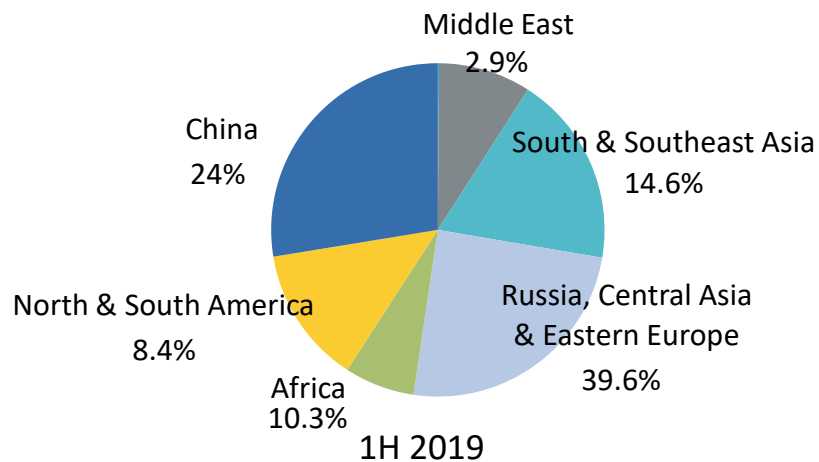
Financial Performance

Revenue Breakdown

Revenue Breakdown by Segment

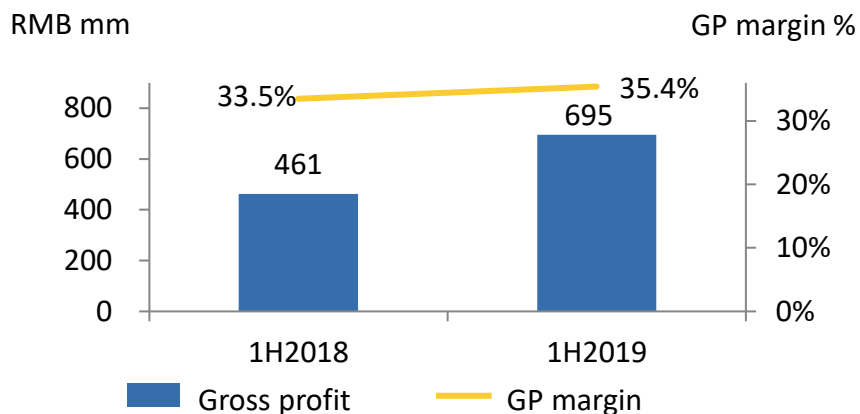


Revenue Breakdown by Geography

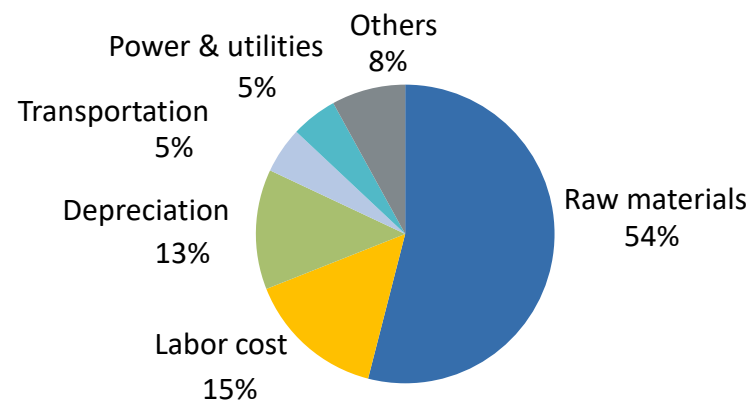


Cost and Gross Profit Analysis

Slight Decrease in Gross Profit Margin



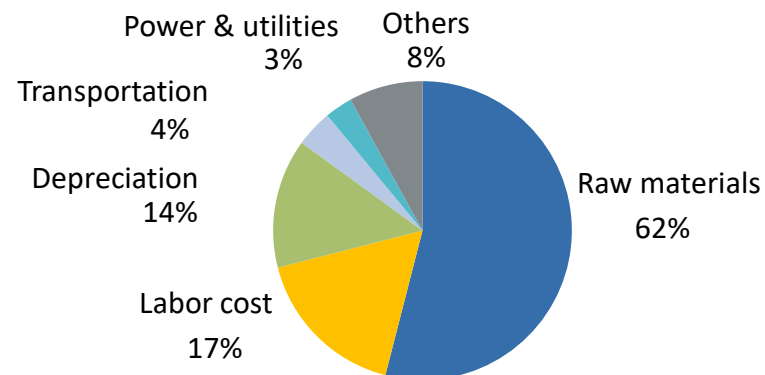
Total Cost in 1H2018: RMB1,015 MM



Account Receivable

'000 RMB	2018	1H2019
- Within 90 days	1,015,844	1,055,417
- over 90 days and within 180 days	216,567	390,692
- over 180 days and within 360 days	377,399	425,551
- over 360 days and within 720 days	144,381	270,803
- over 720 days	208,706	117,805

Total Cost in 1H2019: RMB 1,271 MM

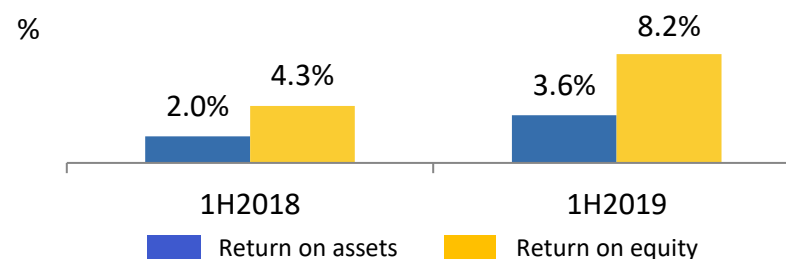


Capital Structure and Return Rate

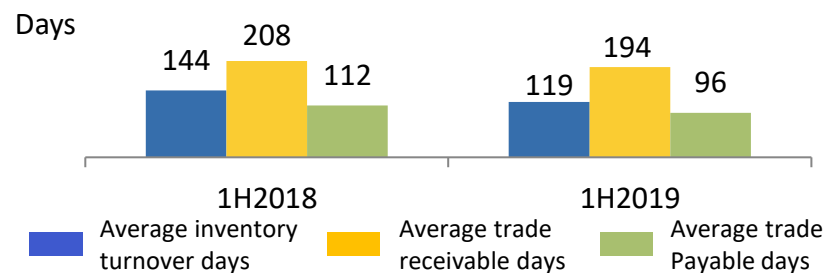
Capital Structure

	2017	1H2018
RMB mm		
Cash & cash equivalents	662	625
Current assets	4,035	4,346
Total assets	7,900	8,243
Short-term debt	576	2,903
Long-term debt	2,495	192
Total liabilities	4,378	4,554
Shareholders' equity	3,309	3,475
Minority interest	213	214
Total equity	3,522	3,689

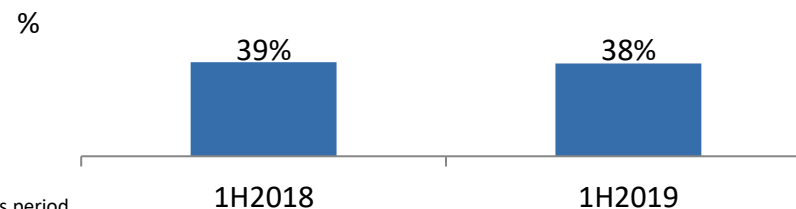
Return on Assets & Return on Equity (1)



Turnover Days for Current Assets (2)



Gearing Ratio: Net Debt/Total Capital (3)

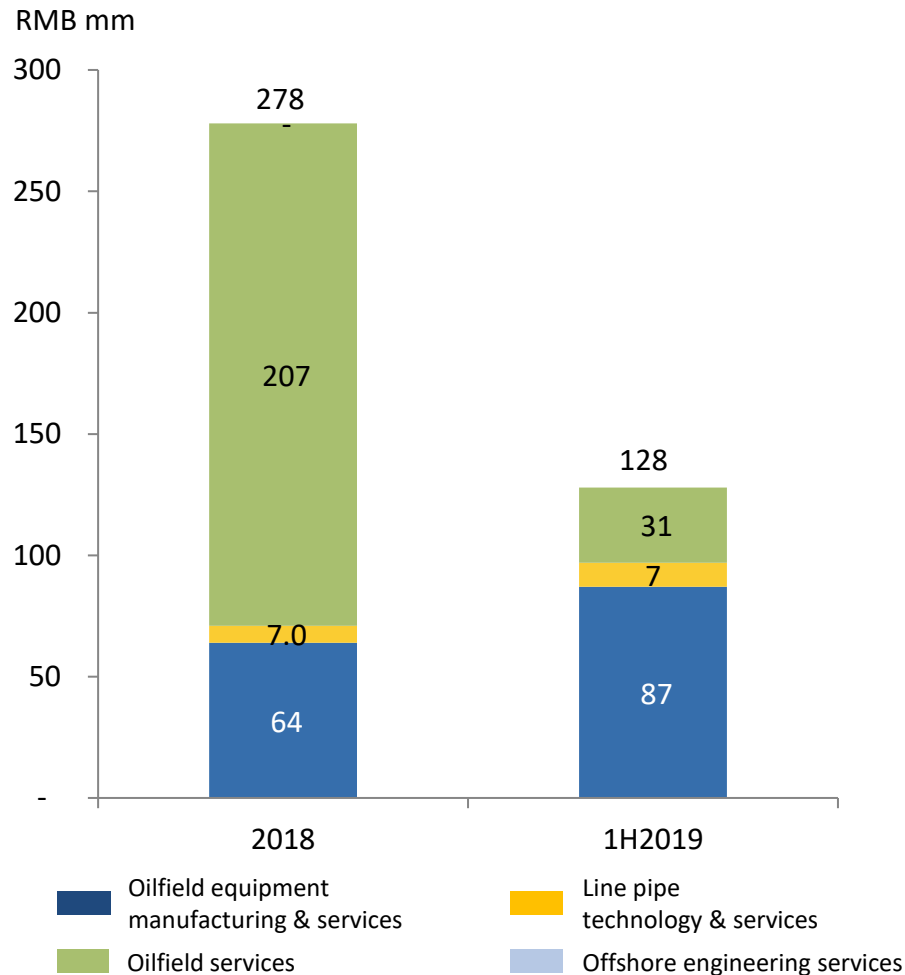


Note:

- 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, total capital = total equity + net debt

Capital Expenditure

Capital Expenditure Breakdown



Major Capital Expenditure Projects

Oilfield services

Maintenance capital expenditure

Oilfield equipment manufacturing & services

Maintenance capital expenditure
Coating production line in Russia & equipment

Business Outlook

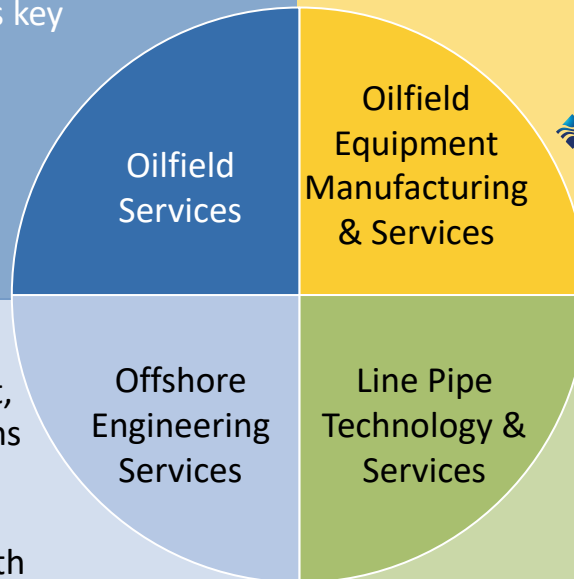
- ❖ Continue to implement international development strategies. Expand to new regional markets with a focus in regions which benefitting from the one belt one road policy in China

- ❖ Leveraging PDO and BP contracts as key platform to enter into to high-end markets in Middle East

- ❖ Further develop integrated oilfield service, improve our service quality

- ❖ Continue to explore overseas market, especially in Southeast Asian regions to secure future workload for HL106

- ❖ Take full advantage of the new JV with SOC, actively participating in the biddings in the large offshore projects in South East Asia market



- ❖ Leveraging on our strong market position within the domestic market, specially in the high-end Non-API product range. Catch the important market opportunities emerging in China.

- ❖ Put more efforts in increasing sales of high value added non-API drill pipe products and related services

- ❖ Speed up promotion of OCTG coating service in the international market, increase international sales

- ❖ Increase research and development and promotion in high-end products, further expansion in line pipe inspection services business. Closely follow up the market trend in PRC

- ❖ Leveraging the breakthrough in the technology and market expansion of CWC, further promote their market application and winning more contracts

Q & A