

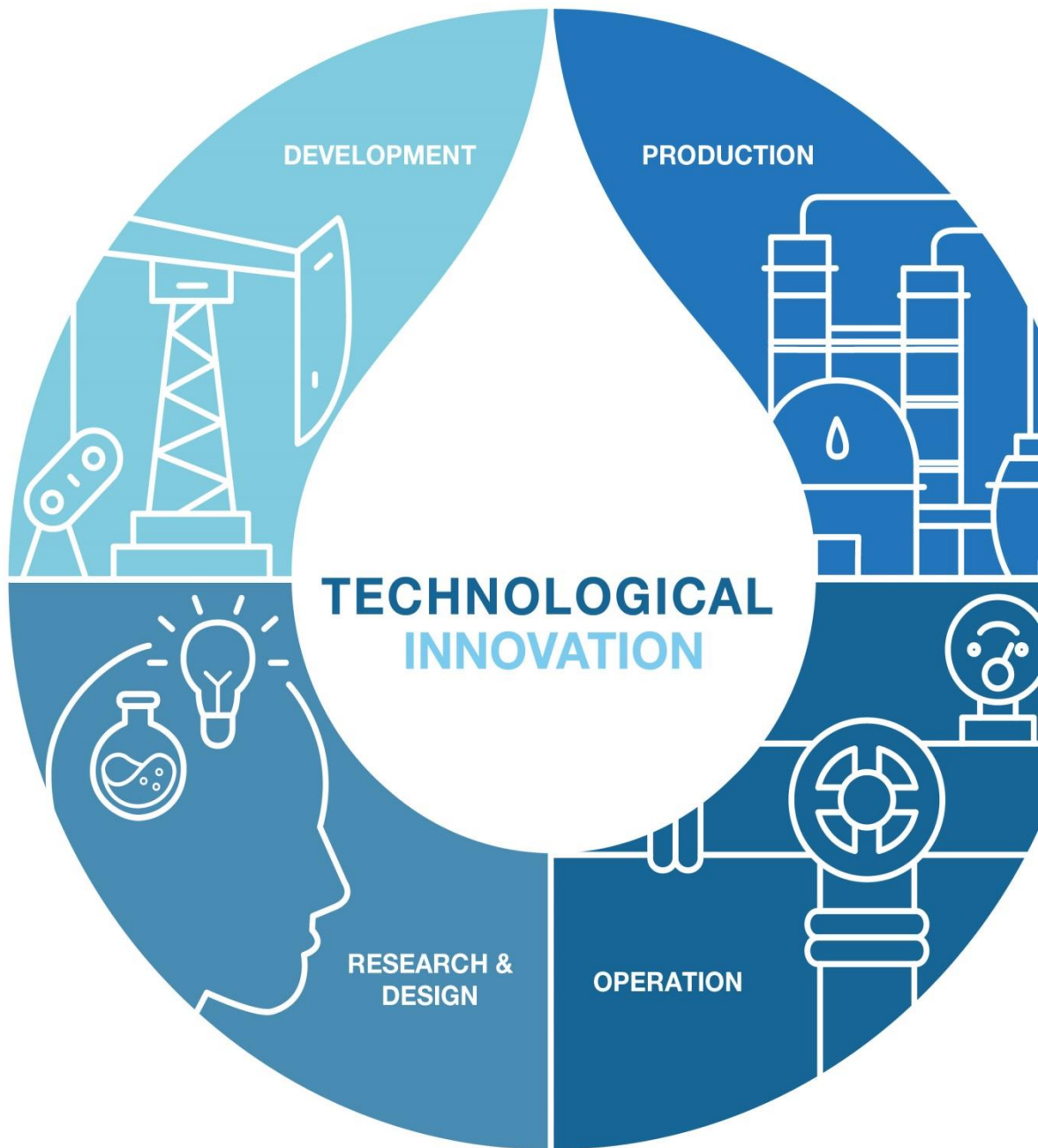


海隆控股有限公司\*  
Hilong Holding Limited

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

\* For identification purpose only

## 2020 Interim Results Presentation



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## Results Highlights

# Results Highlights

**Due to the multiple external challenges, Hilong's financial performance declined in 1H 2020 and realized a total revenue of RMB1,557 million during the reporting period.**

## Oilfield Services



- ❖ Strived to maintain workload for drilling & workover services in the face of market downturn
- ❖ Certain drilling & workover rigs remained normal operation
- ❖ Outstanding performance highly recognized by customers
- ❖ Explored new market opportunities, focusing on potential projects without new capex requirement

## Oilfield Equipment Manufacturing & Services



- ❖ Demand for drill pipe remained relatively stable due to its feature as a daily consumable in E&P
- ❖ The overseas OCTG coating business recorded a strong performance and became an important revenue source for the segment
- ❖ The three OCTG coating plants in Russia operated with plenty of orders and experienced a rapid growth with promising market potentials
- ❖ Accelerate applying OCTG coating in more diversified areas, e.g. gathering pipes, process piping in refineries

## Line Pipe Technology & Services



- ❖ Carried out certain overseas projects steadily despite the market environment
- ❖ Gradually established market position for line pipe inspection business and constantly develops more advanced technologies and new market segments
- ❖ Grasp the opportunities brought by the establishment of PipeChina and put more importance in exploring the domestic market

## Offshore Engineering Services

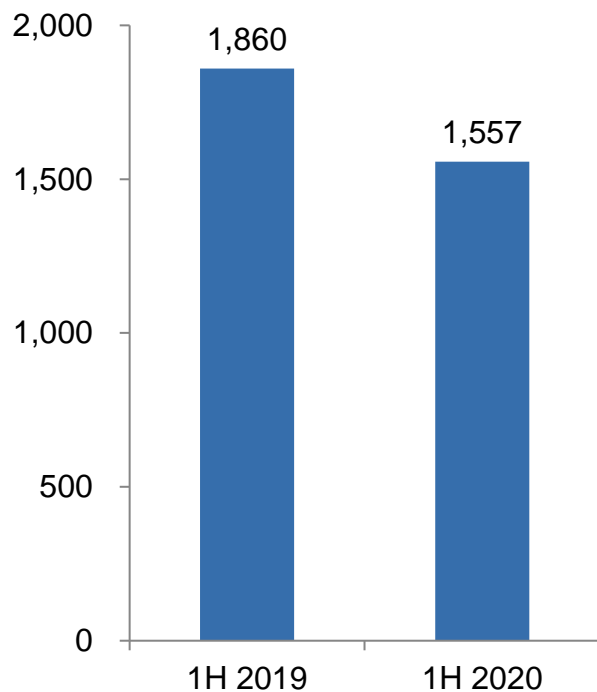


- ❖ Realized a segmental revenue of RMB213 million, representing a significant growth
- ❖ Successfully completed the CNPC Bangladesh pipe-laying project ahead of schedule, using only half of the planned time
- ❖ Freed up more time for HILONG106 to participate in subsequent projects
- ❖ Actively expanding into the field of public infrastructure engineering & construction

# Financial Overview

## Revenue

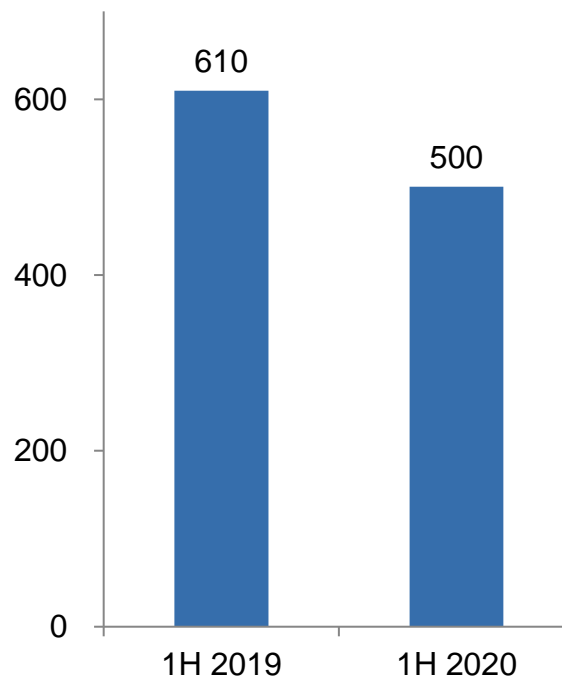
RMB mm



■ Total revenue

## Gross Profit

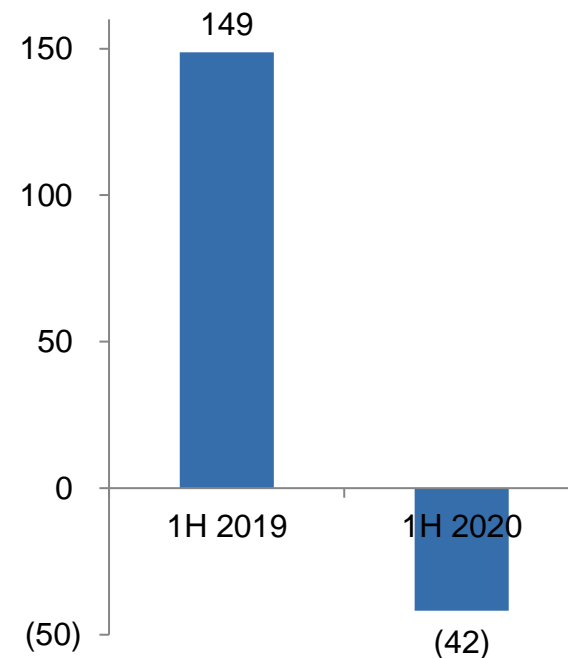
RMB mm



■ Gross profit

## Net Profit

RMB mm



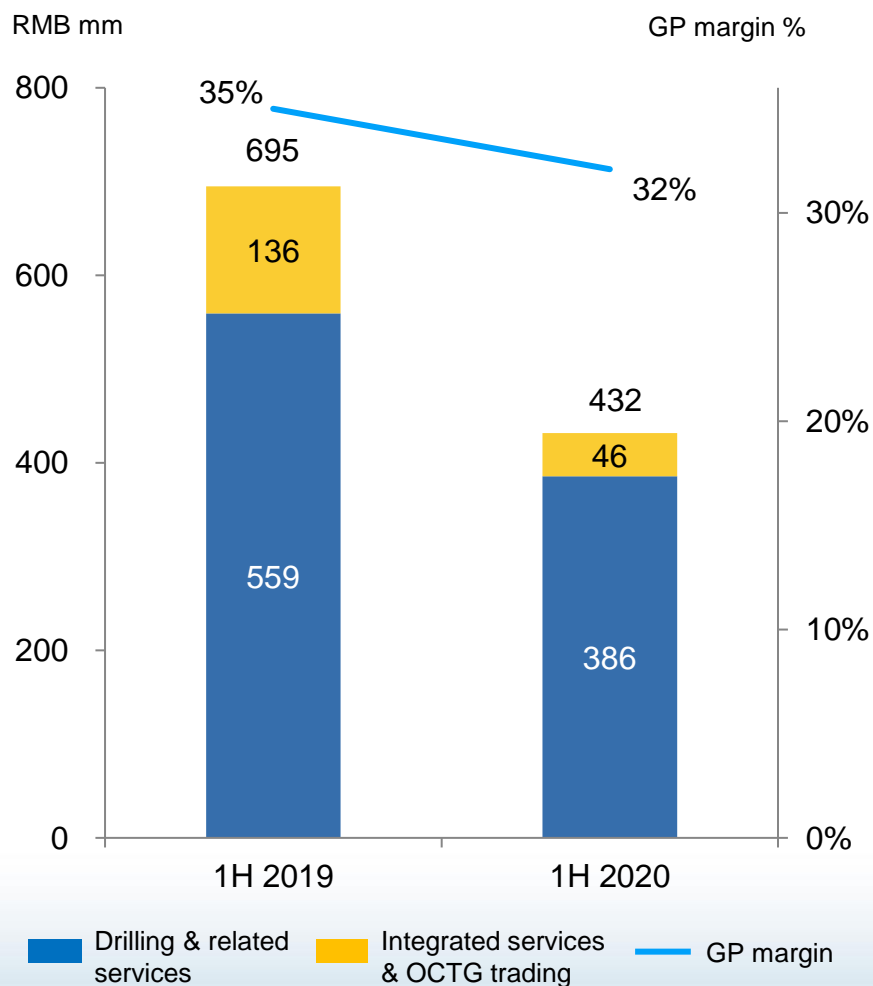
■ Net profit

 The Company realized a total revenue of RMB1,557 million and gross profit of RMB500 million in 1H 2020

# Business Review

# Oilfield Services

## Segment Revenue of RMB432 million



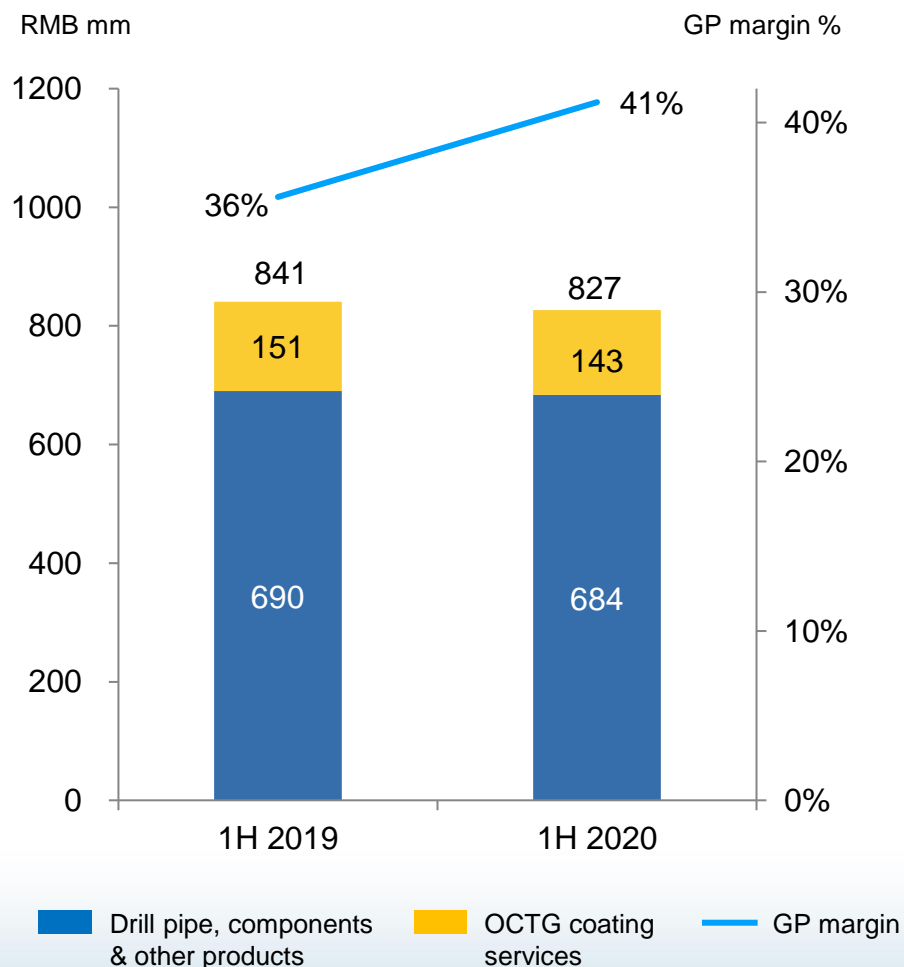
## Strived to Maintain Normal Operation

- ❖ Endeavored to continue the existing contracts for more rigs despite the challenging market environment, with a target to maintain normal operation for the overall segment
- ❖ Completed the Oman and Ecuador projects with significantly improved work efficiency and won the praises of customers
- ❖ Two drilling rigs working for PDO ranked among the top in the comprehensive KPI evaluation
- ❖ The Ukraine team ranked first in the comprehensive evaluation of service providers in 1H 2020 conducted by the customer (UGV) and further secured and completed the most difficult task
- ❖ Actively bid for new contracts with a focus on projects that can utilize existing rigs in order to reduce capex
- ❖ Successfully won bids in Ukraine, Pakistan and Ecuador to ensure the subsequent workloads in these areas



# Oilfield Equipment Manufacturing and Services

## Segment Revenue of RMB827 million



## Stable Overall Performance Driven by Overseas Business

### Drill pipe & related products

- ❖ Drill pipe business remained stable owing to its anti-cycle feature
- ❖ The feature that drill pipes need to be replaced on a regular basis partially offset the impact of reduced upstream E&P activities on market demand
- ❖ Domestic demand declined in 1H 2020 but the outlook remains positive due to the Seven-Year Action Plan<sup>1</sup>
- ❖ Overseas sales of drill pipes and OCTG coating business complemented each other and brought more cross-selling opportunities in market downturn

### OCTG coating services

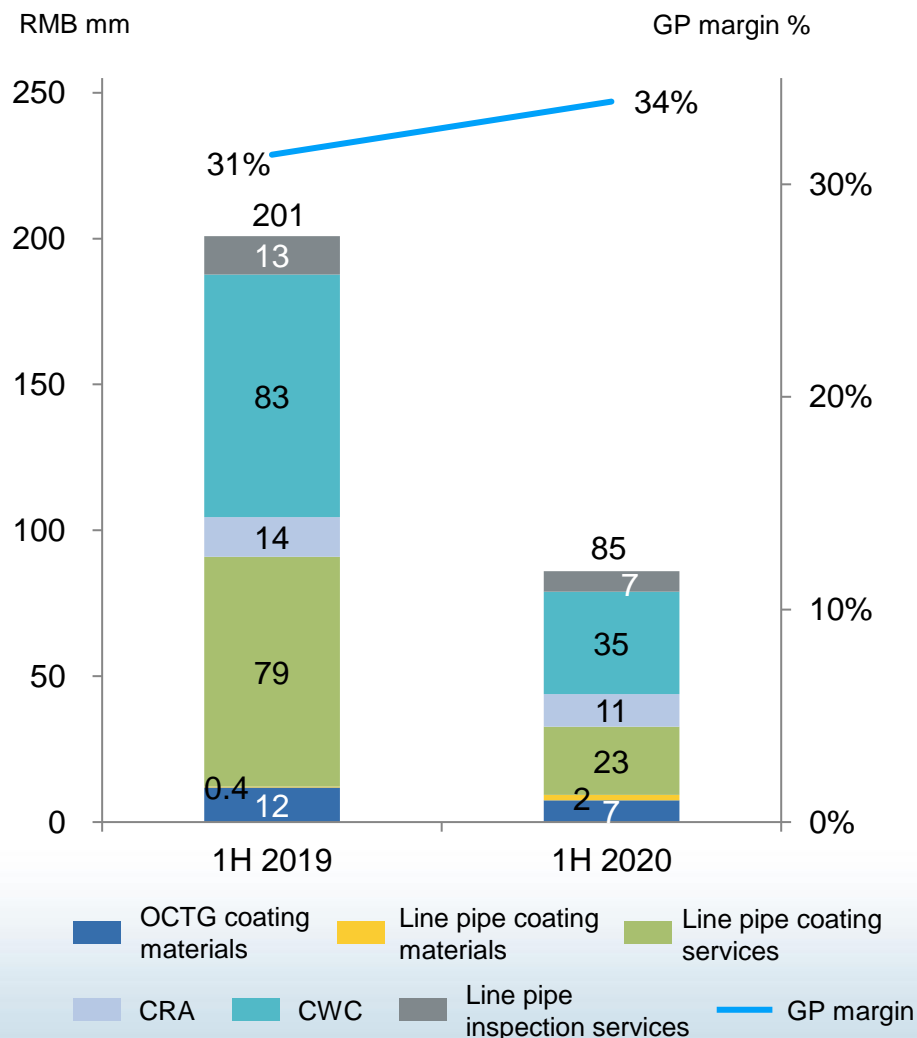
- ❖ Achieved overall steady performance driven by the continuous growth in overseas markets
- ❖ Vigorously promoted the application of OCTG coating in Russia and established market advantage with advanced technology and strong service capabilities
- ❖ The three coating plants in Russia demonstrated a strong performance against the unfavorable market conditions with plenty of orders
- ❖ Endeavors to explore opportunities in the fields apart from OCTG products, such as gathering pipes, customized pipes and process piping in refineries and has achieved preliminary success

Note:

1. The policy support of the "Seven-Year Action Plan of 2019-2025 for China's Oil and Gas Industry" launched by The National Energy Administration promoting domestic oil and gas exploration and development

# Line Pipe Technology and Services

## Segment Revenue of RMB85 million

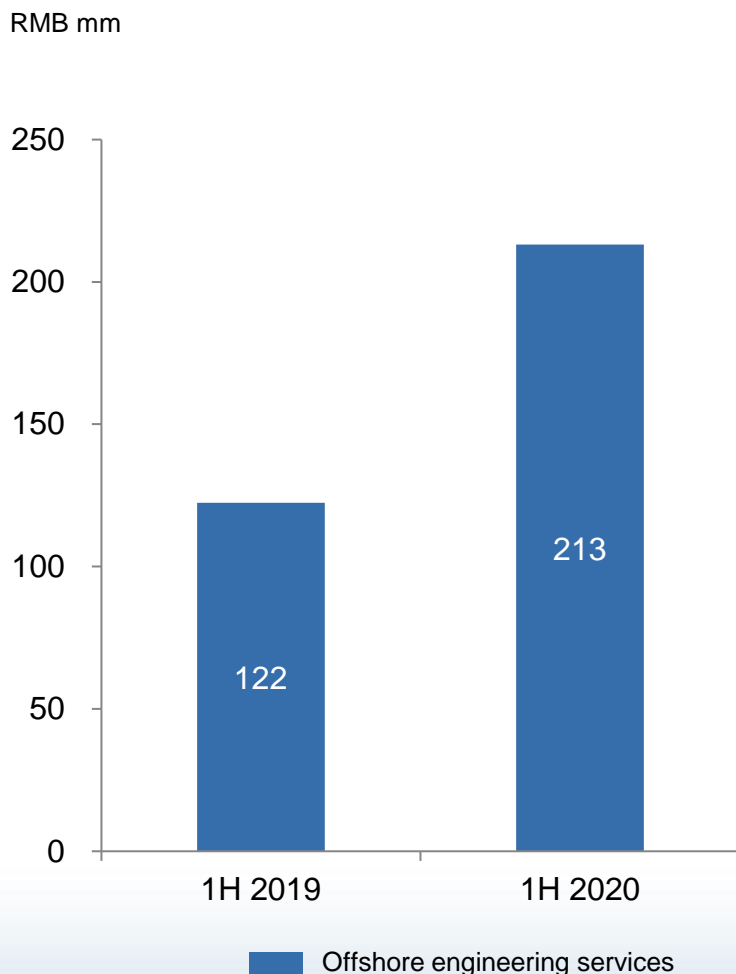


## Revert Focus to Domestic Market

- ❖ Gradually shift the focus of line pipe anti-corrosion coating and CWC business to domestic market
  - ❖ Due to the impact of the epidemic, some overseas projects have been suspended, prompting Hilong to put more emphasis on domestic market
  - ❖ Seize the huge market opportunity brought by the establishment of PipeChina and focus on exploring market potentials in China
  - ❖ Look to explore projects beyond the oil & gas industry and which are supported by the central and local governments of China, utilizing Hilong's existing technology and capacity
- ❖ Driven by technological progress, the pipeline inspection business is growing more mature and continuously expanding its business areas
  - ❖ Equipped with a complete set of inspection devices and the supporting data analysis system, Hilong can conduct inspection services on all kinds of pipelines
  - ❖ Gradually established industry reputation and market position and closely worked with the customers on R&D to meet their practical needs

# Offshore Engineering Services

## Segment Revenue of RMB213 million



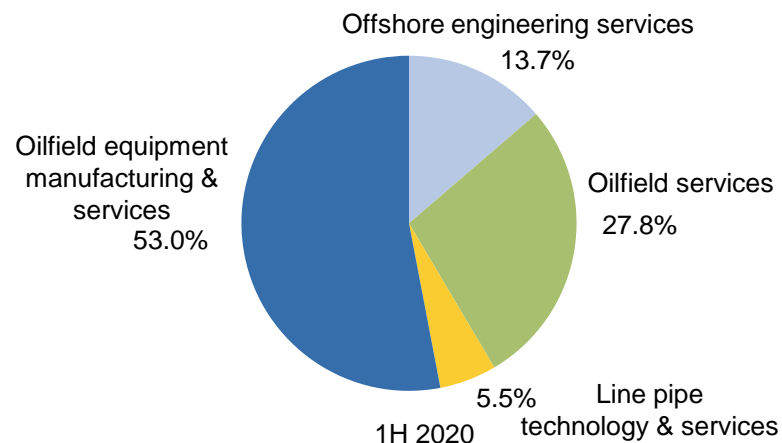
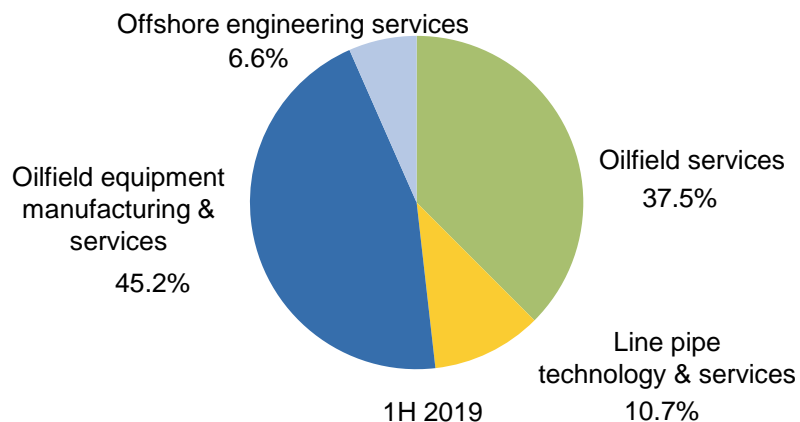
## Achieved Significant Revenue Growth And Substantial Business Progress

- ❖ Successfully completed the 135-kilometer offshore pipe-laying construction of the CNPC Bangladesh single-point mooring and double pipeline project
- ❖ Completed the project using only half of the planned time and won the time window for HILONG106 to participate in subsequent market opportunities
- ❖ Set a number of high-efficiency construction records while ensuring the quality and safety of the project, with management capability, technical strength, construction quality, work efficiency and dedicated spirit highly recognized
- ❖ Attached great importance to the development and expansion of markets in China and Southeast Asia, and gradually established track records and competitive advantages in these regional markets
- ❖ Actively expanding into the fields beyond oil & gas industry, such as public infrastructure engineering, striving to explore more diversified business opportunities amidst the current downturn of oil price, and fully support the segment to achieve sound operation as soon as possible

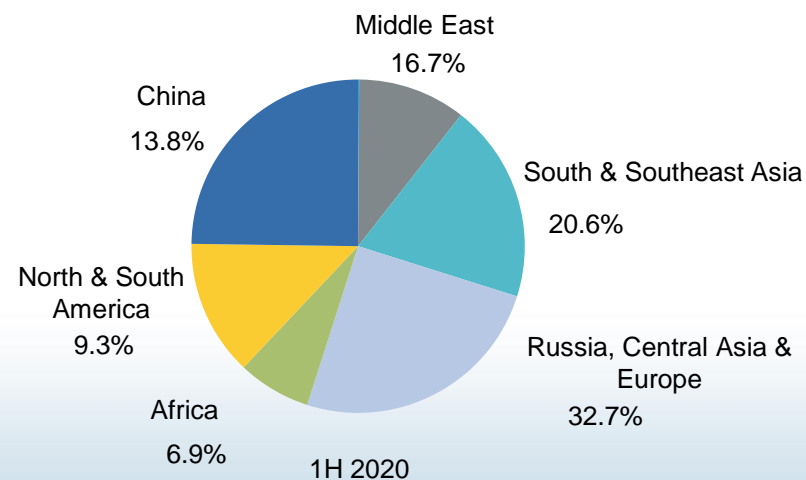
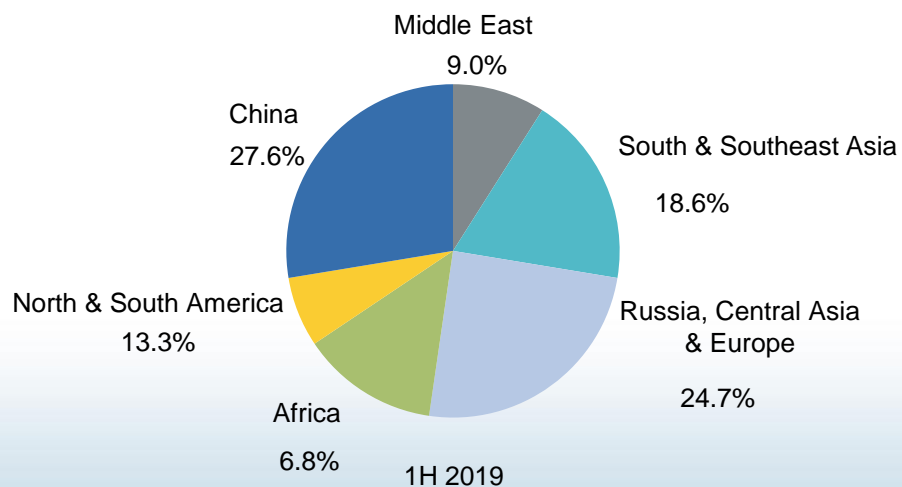
# Financial Performance

# Revenue Breakdown

## Revenue Breakdown by Segment

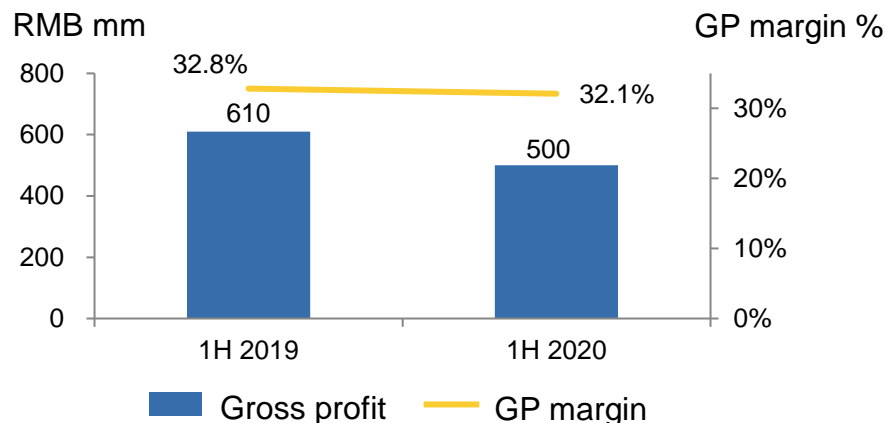


## Revenue Breakdown by Region

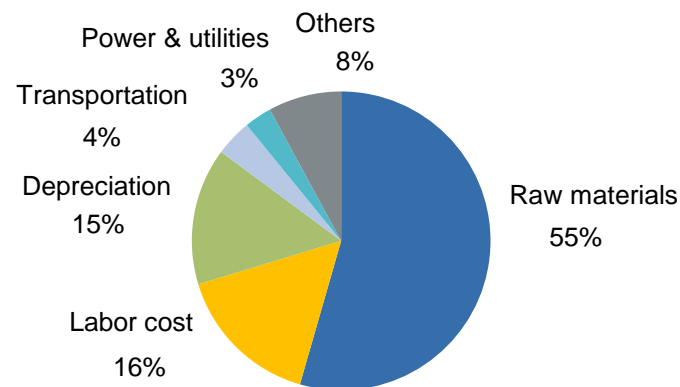


# Cost, Gross Profit and Changes in Account Receivable

## Stable Gross Profit Margin



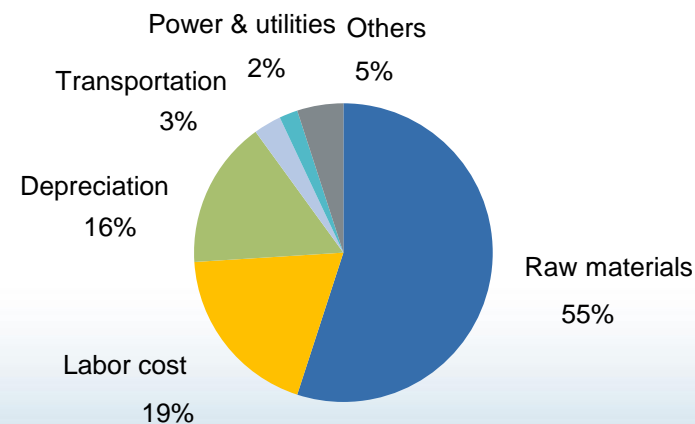
## Total Cost in 1H 2019: RMB1.25 billion



## Account Receivable

'000 RMB	06/30/2020	12/31/2019
- Within 90 days	852,365	907,375
- over 90 days and within 180 days	326,630	388,624
- over 180 days and within 360 days	402,509	341,155
- over 360 days and within 720 days	302,516	352,456
- over 720 days	147,678	96,766

## Total Cost in 1H 2020: RMB1.06 billion

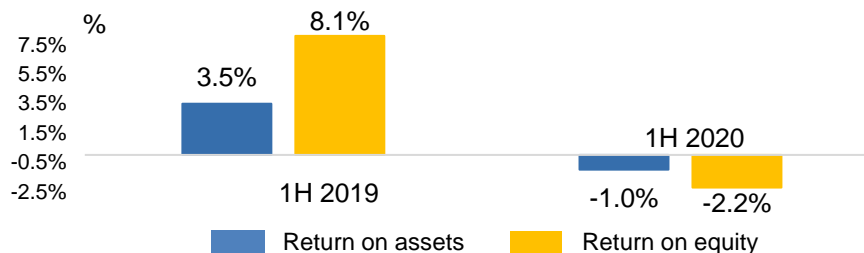


# Capital Structure and Return Rate

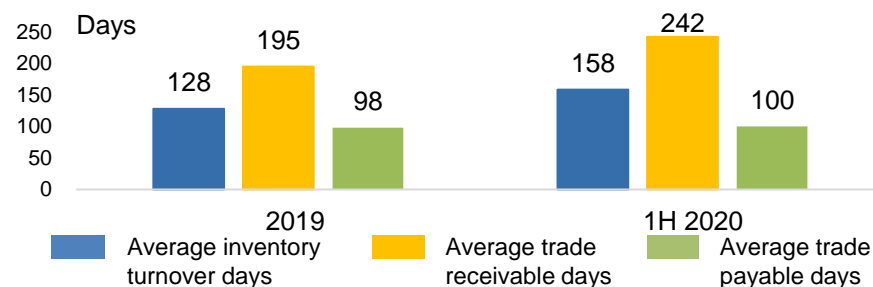
## Capital Structure

	06/30/2020	12/31/2019
RMB mm		
Cash & cash equivalents	841	783
Current assets	4,644	4,674
Total assets	8,355	8,541
Short-term debt	3,281	1,712
Long-term debt	157	1,531
Total liabilities	4,740	4,835
Shareholders' equity	3,569	3,663
Minority interest	46	44
Total equity	3,615	3,706

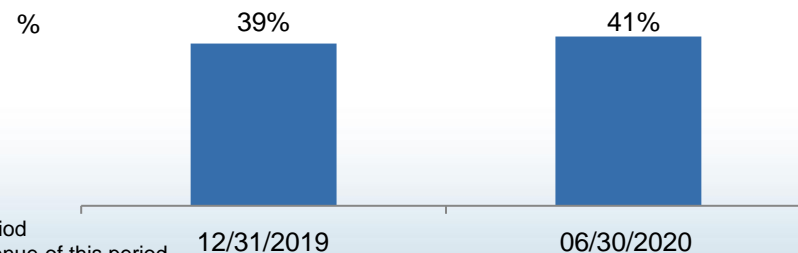
## Return on Assets & Return on Equity<sup>1</sup>



## Turnover Days for Current Assets<sup>2</sup>



## Gearing Ratio: Net Debt/Total Capital<sup>3</sup>

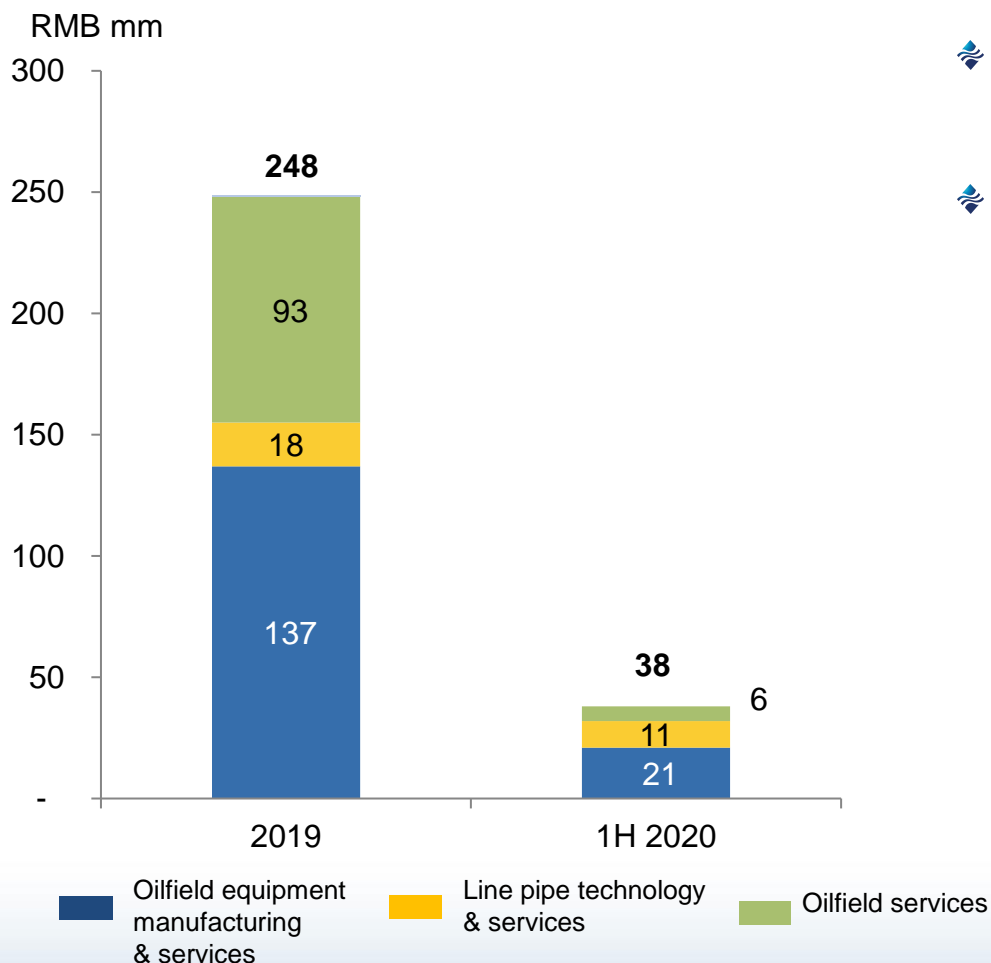


Note:

- 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 + lease liabilities – cash and cash equivalents and restricted cash – financial assets at fair value through profit or loss,  
Total capital = total equity + net debt

# Capital Expenditure

## Capex Breakdown



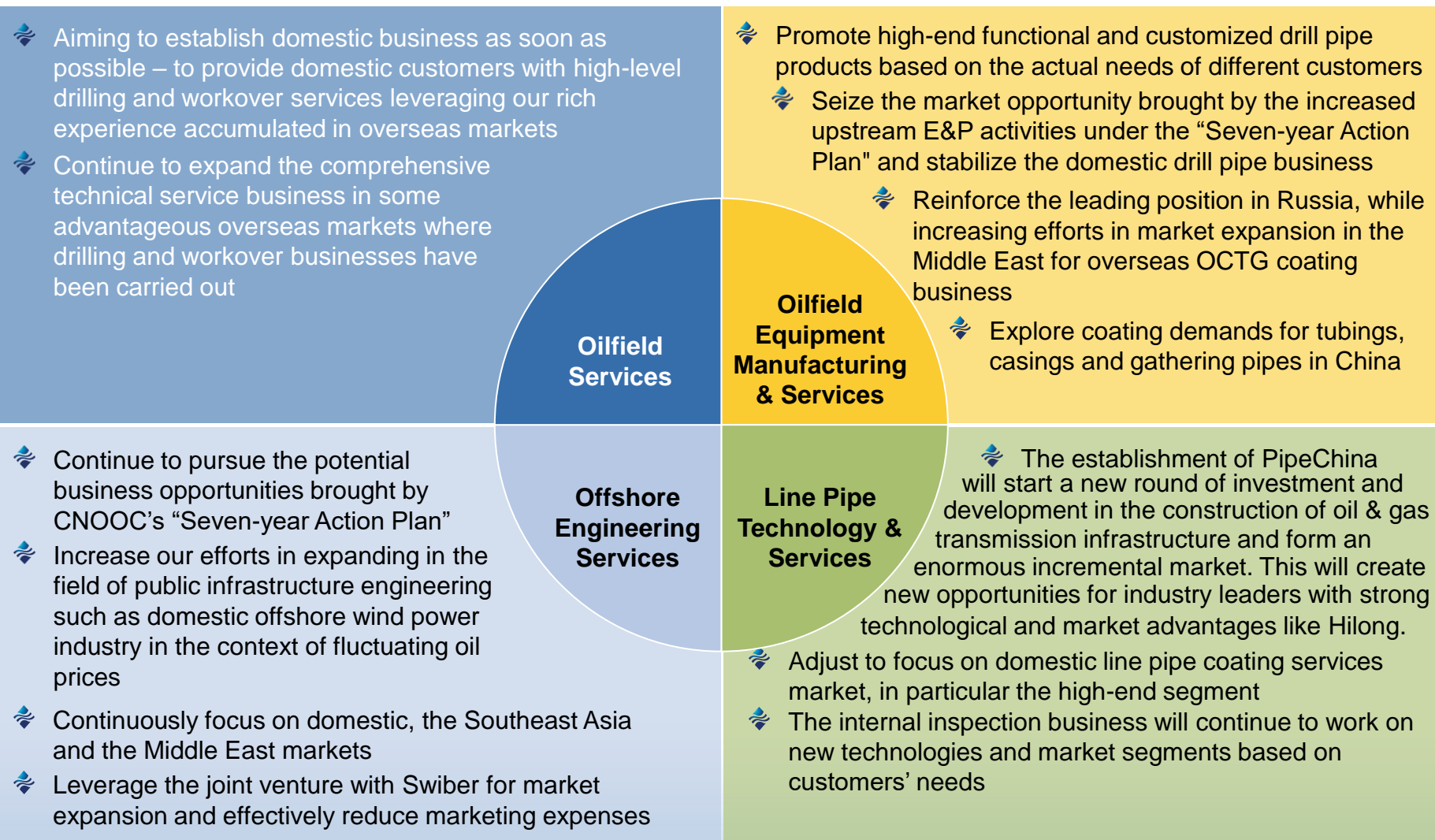
## Major Capex Needs in 2020

- ❖ Most of Hilong's business has entered a relatively mature period and the overall demand for new investment has decreased
- ❖ Given the current external market environment, the Company will strictly control capex except maintenance requirement to ensure the cash flow needs for normal operation
- ❖ Oilfield services
  - ◆ Only considers potential projects without new investment needs
  - ◆ Maintenance capex for existing rigs
- ❖ Line pipe technology & services
  - ◆ Maintenance capex for line pipe inspection devices for business development purpose
- ❖ Oilfield equipment manufacturing & services
  - ◆ Maintenance & upgrade capex for certain plants to meet the requirement of local regulatory authorities for safety and environment protection purposes



## Business Outlook

# Actively Respond to Market Challenges – Expand New Business Areas While Strengthening Existing Advantages



## Q & A