



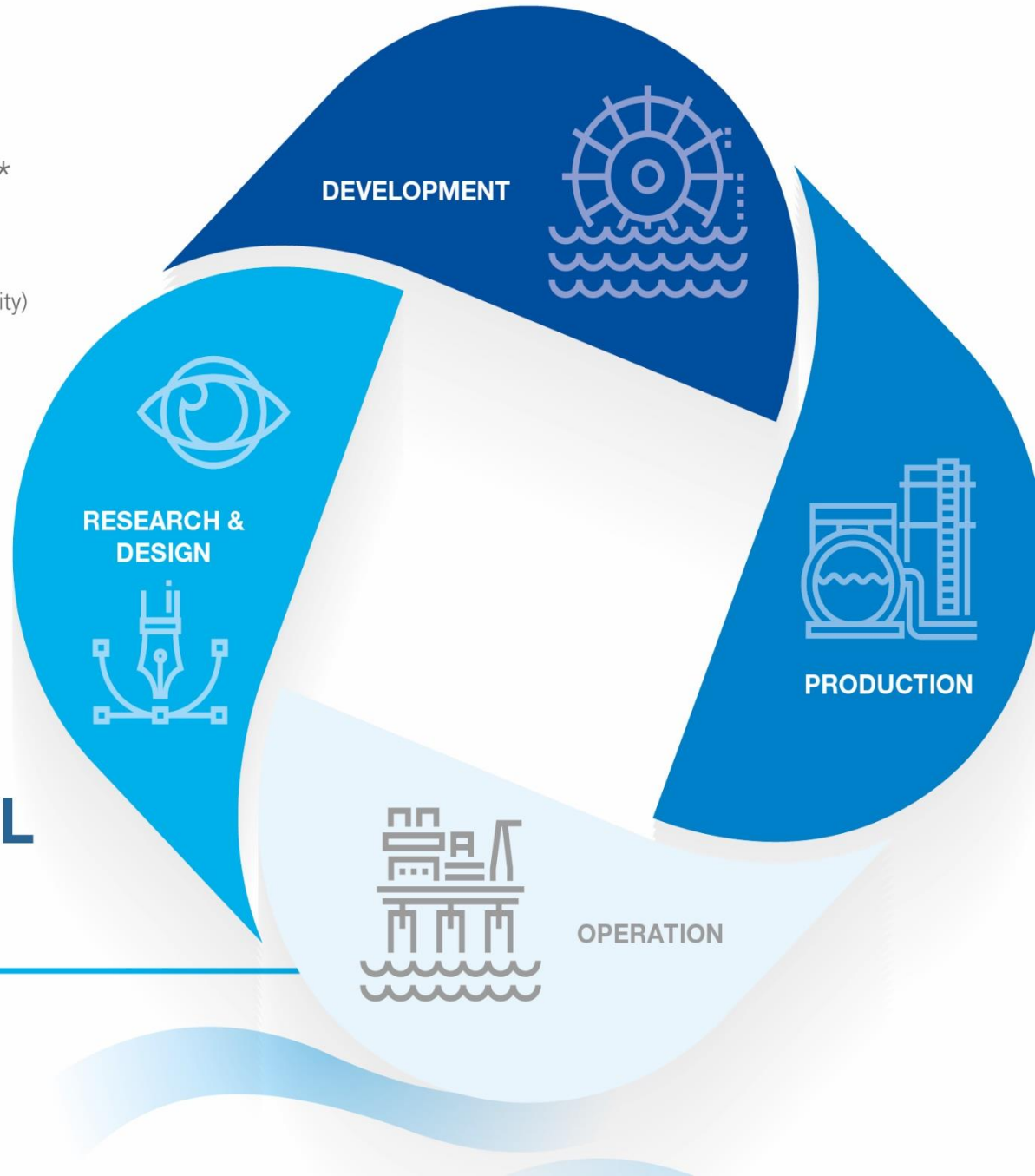
海隆控股有限公司*
Hilong Holding Limited

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

* For identification purpose only

2020 Annual Results Presentation

TECHNOLOGICAL INNOVATION



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Results Highlights

Results Highlights

Oilfield Services

- ❖ Drill pipe sales declined due to the market fluctuations but the impact was relatively under control given drill pipe's feature as a consumable good
- ❖ Boosted by the overseas business, OCTG coating recorded stable performance in the general industry downturn
- ❖ Promising market prospects in Russia
- ❖ Adhered to high-end positioning and expanded new business areas in China

Oilfield Equipment Manufacturing & Services

- ❖ Realized a segmental revenue growth and breakthrough in business development
- ❖ Successfully completed the phase I of the CNPC Bangladesh pipe-laying project
- ❖ Actively expanded into the field of public infrastructure engineering and provided vessel leasing and operations-related services for an offshore wind power construction project

Offshore Engineering Services

- ❖ Recorded significant decrease due to the deteriorated market environment in 2020
- ❖ Strived to maintain the utilization and pricing of the rig fleet at acceptable levels
- ❖ Actively explored new opportunities and bid for new contracts
- ❖ Bid for turnkey projects and realized stable trading business
- ❖ Reduced Capex and achieved higher efficiency with lower costs

- **Hilong realized a total revenue of RMB2,623 million in 2020, a decline due to the unfavorable market conditions**

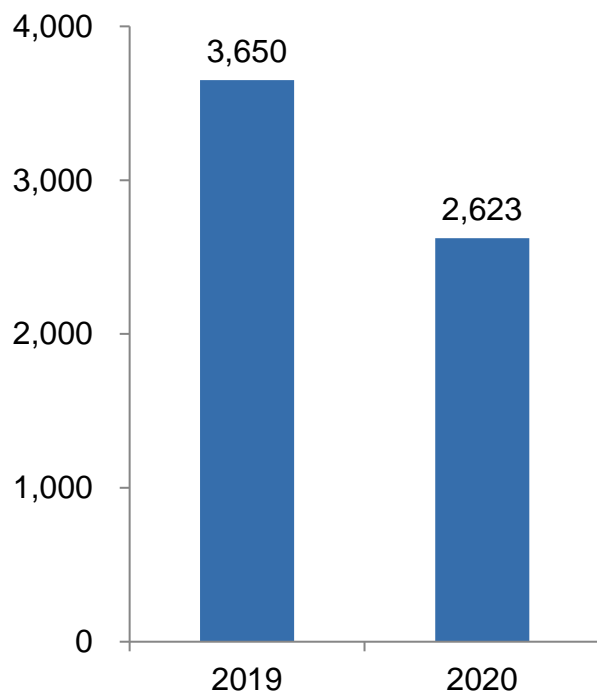
Line Pipe Technology & Services

- ❖ Certain overseas projects were suspended, which caused great impact on the segment's overall performance
- ❖ Worked closely with the core clients while made breakthrough in the cooperation with new clients in domestic market
- ❖ Line pipe inspection services has seen significant progress in market expansion and the upgrade of self-developed devices and analysis system

Financial Overview

Revenue

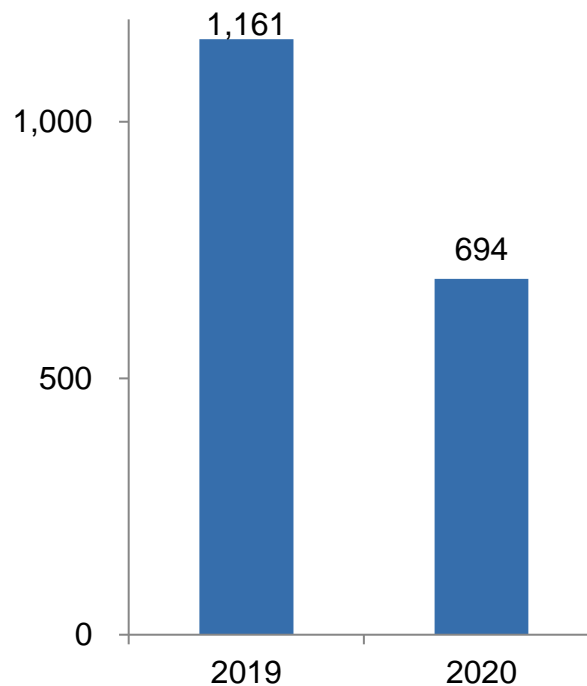
RMB mm



■ Total revenue

Gross Profit

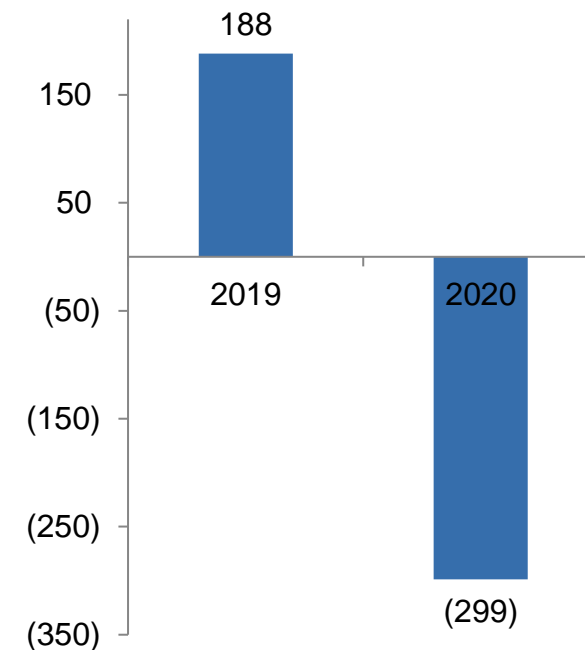
RMB mm




■ Gross profit

Net Profit

RMB mm



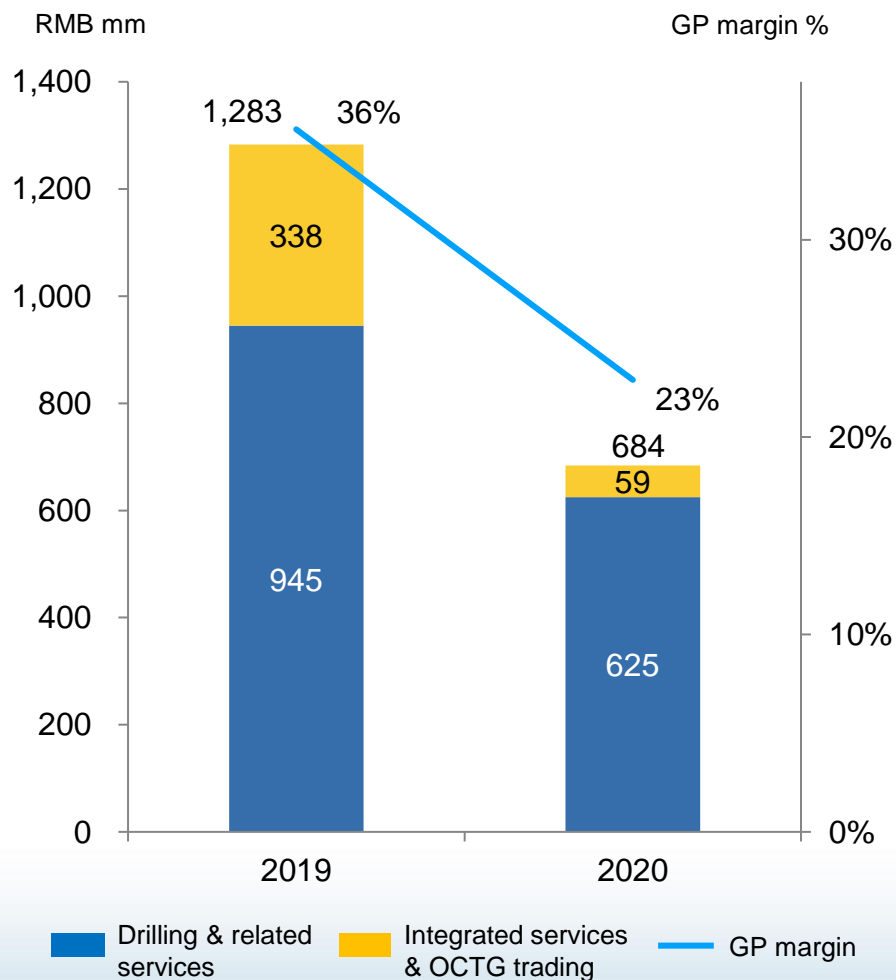
■ Net profit

 The Company realized a total revenue of RMB2,623 million and gross profit of RMB694 million in 2020

Business Review

Oilfield Services

Segment Revenue of RMB684 million



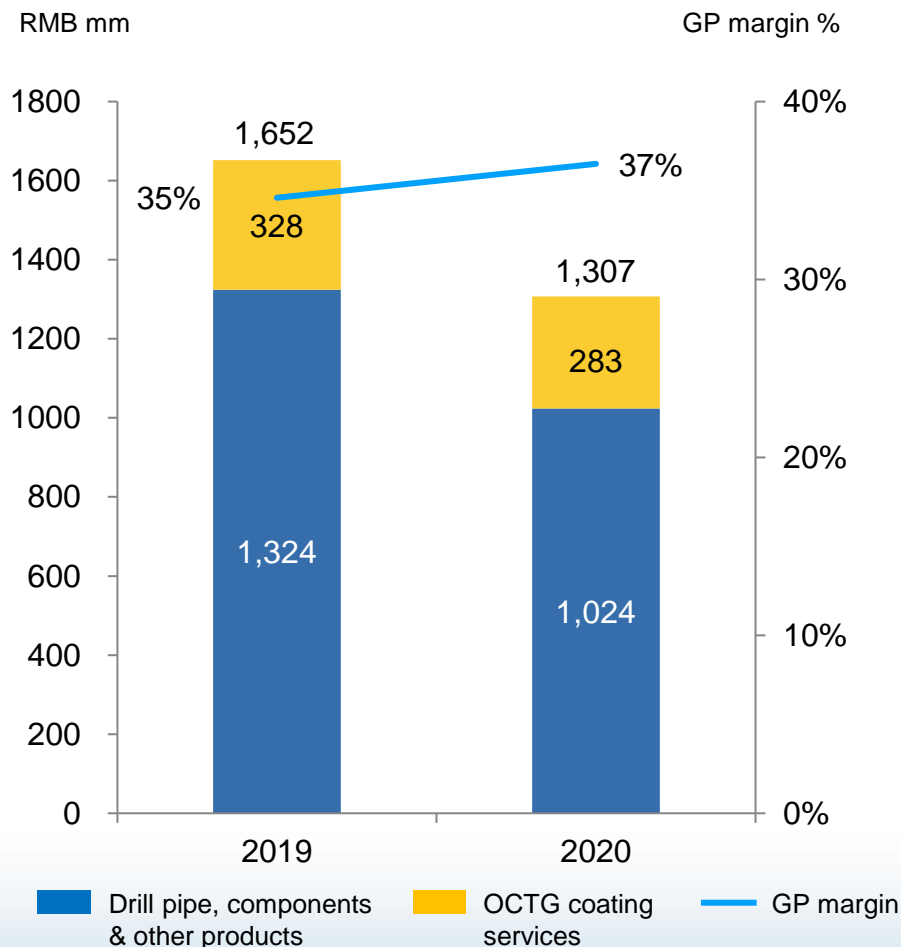
Recorded Significant Decline But Strived to Preserve Strengths

- ❖ Recorded significant decrease due to the challenging market conditions in 2020
- ❖ Maintained the overall utilization rate and prices of the rig fleet at acceptable levels
- ❖ Several rigs continued normal operation with excellent performances highly recognized by the customers
- ❖ Actively explored new market opportunities and bid for new contracts
- ❖ Won new contracts for two rigs with UGV in Ukraine and achieved seamless connection between new and old contracts
- ❖ Bid for turnkey projects and realized stable trading business
- ❖ Reduce Capex and achieved higher efficiency with lower costs
- ❖ Only considered potential projects that can leverage the existing rigs; disposed inefficient rigs to increase cash inflows; optimized supply chain management to decrease procurement costs

Oilfield Equipment Manufacturing and Services

Segment Revenue of RMB1,307 million

Sticked to High-end Positioning
And Explored Potential Demand



Drill pipe & related products

- ❖ Overall sales declined as a result of the reduced drilling activities worldwide
- ❖ Strengthened the focus on high-end and customized products in domestic market
- ❖ Overseas markets have seen more cross-selling opportunities for drill pipes integrated with OCTG coating

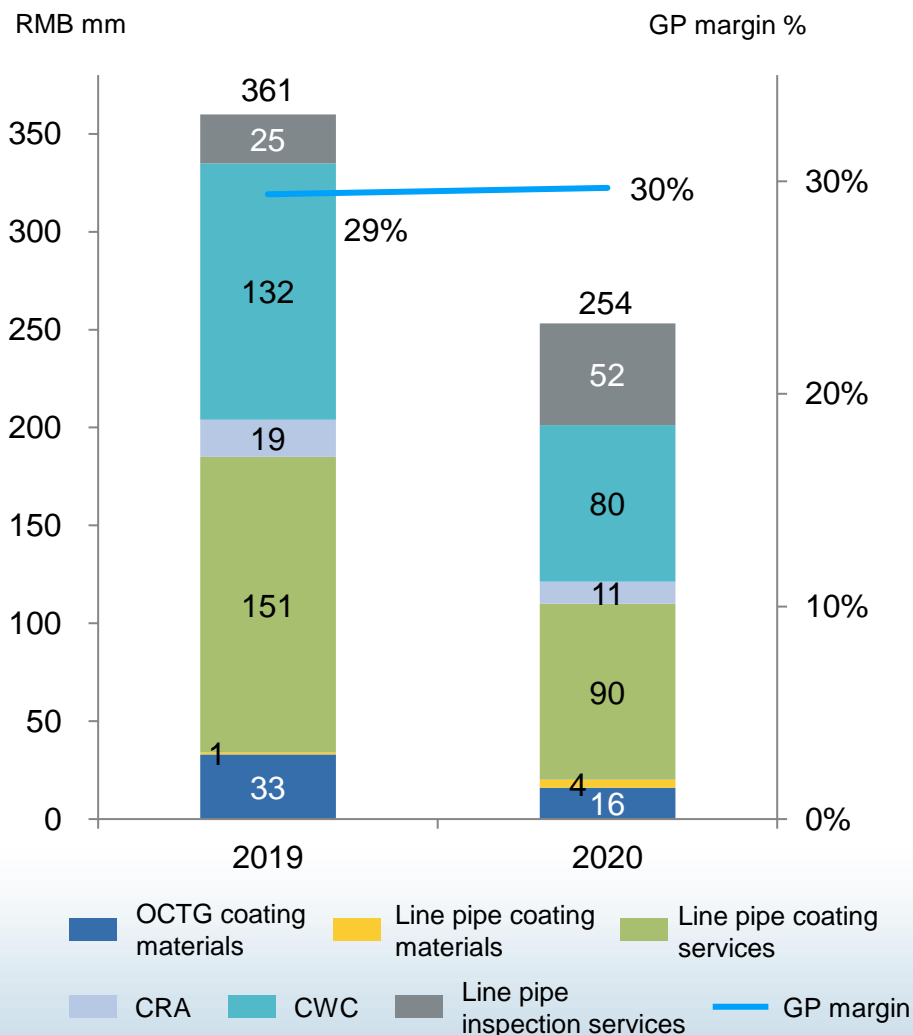
OCTG coating services

- ❖ Focused on high-end market despite the pricing pressure in China and actively explored the new business areas with preliminary success
- ❖ Maintained great momentum in overseas markets boosted by the Russian operations
- ❖ Considerable market potentials in Russia

Line Pipe Technology and Services

Segment Revenue of RMB254 million

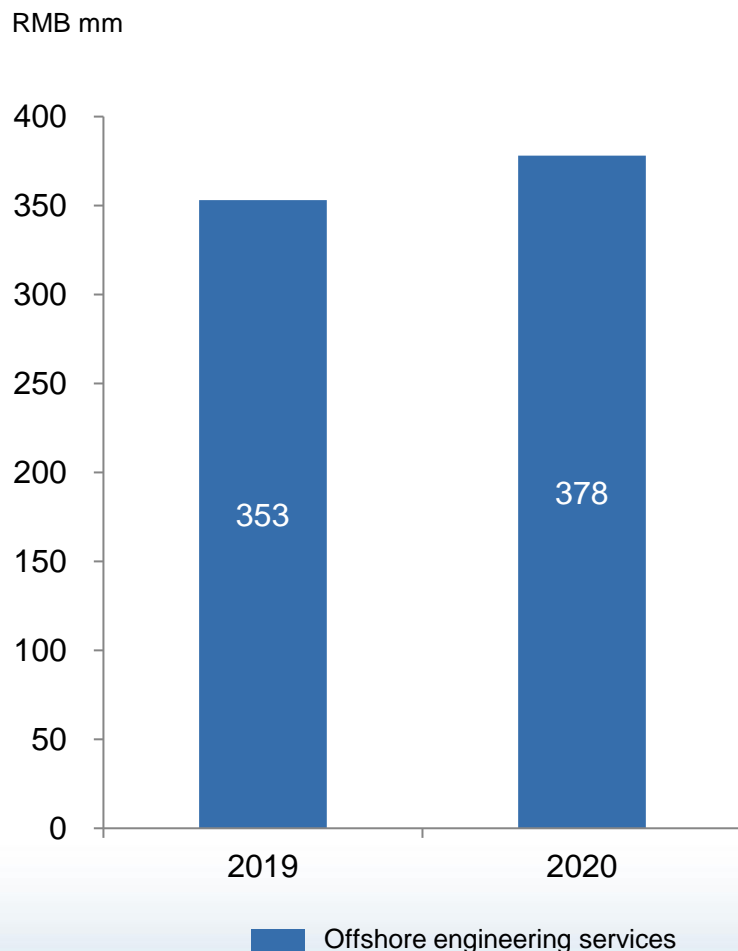
Focus on Domestic Market And Develop Both Mature And Growth Businesses



- Overall performance substantially declined due to the suspension of certain overseas projects, which accelerated the Company's shift to domestic market
- Seized the core clients such as Baosteel in domestic market for the anti-corrosion and concrete-weighted coating business and obtained several large-scale projects
- Made breakthrough in the cooperation with new clients such as Zhejiang Petroleum & Chemical and won multiple orders with considerable contract values
- Line pipe inspection services business has gradually established industry reputation and market position

Offshore Engineering Services

Segment Revenue of RMB378 million



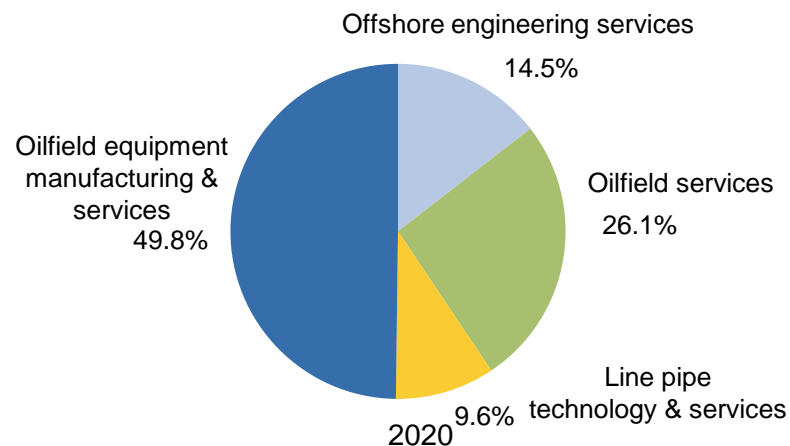
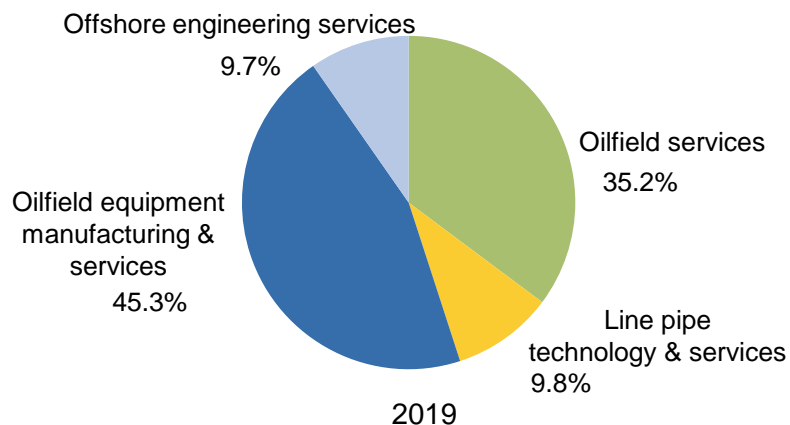
Achieved Revenue Growth
And Expanded into New Business Fields

- ❖ Successfully completed the Phase I of the 135-kilometer offshore pipe-laying construction of the CNPC Bangladesh single-point mooring and double pipeline project
- ❖ Completed the work using only half of the planned time and won the time window for HILONG106 to participate in subsequent market opportunities
- ❖ Explored more diversified opportunities beyond the oil & gas industry
- ❖ Provided vessel leasing and operations-related services for CCCC Third Harbor Engineering Co., Ltd. with a total contract value of ca. RMB233 million
- ❖ Focus on China and Southeast Asia, and gradually established track records and competitive advantages in these markets

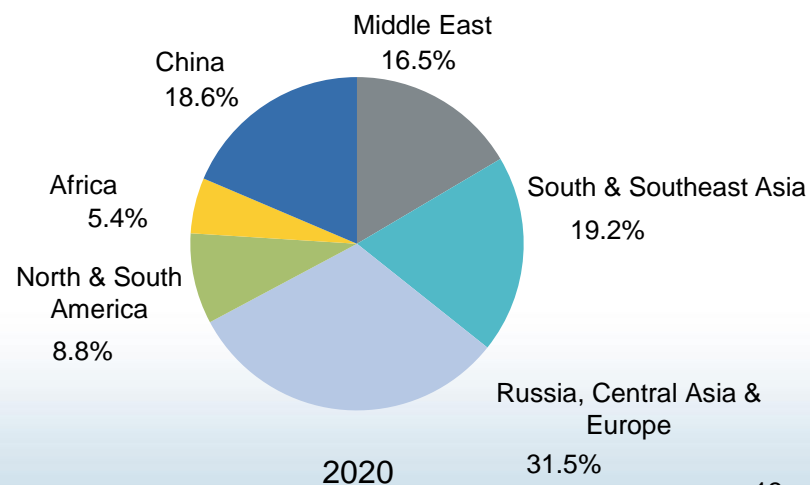
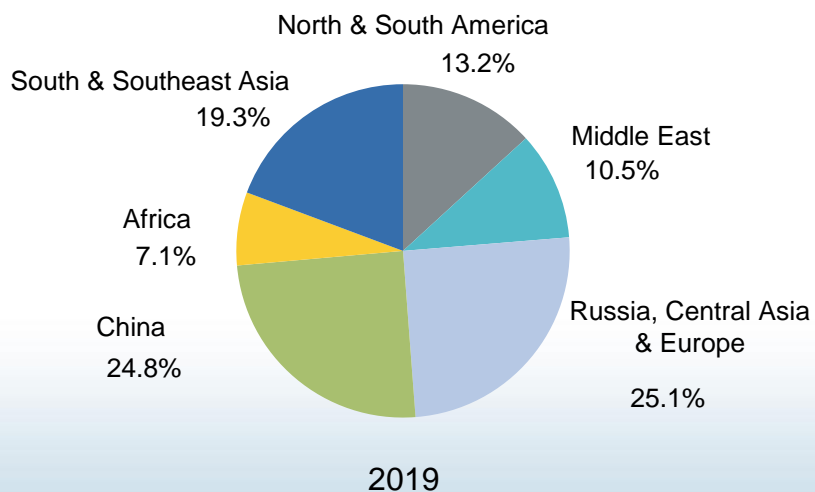
Financial Performance

Revenue Breakdown

Revenue Breakdown by Segment

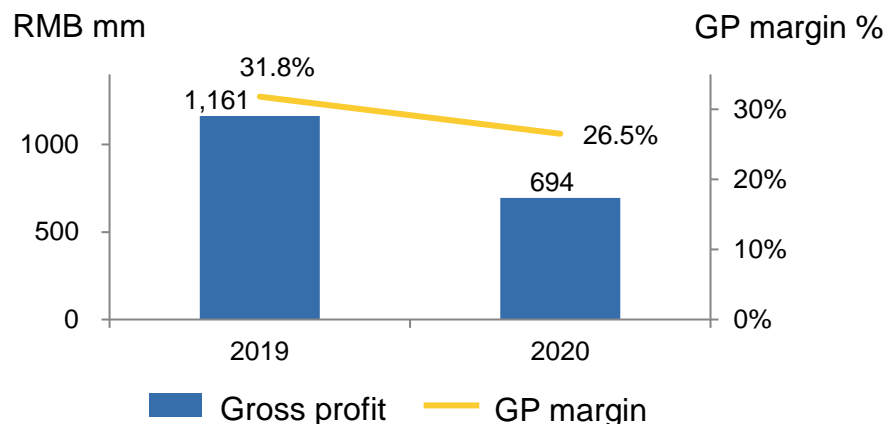


Revenue Breakdown by Region

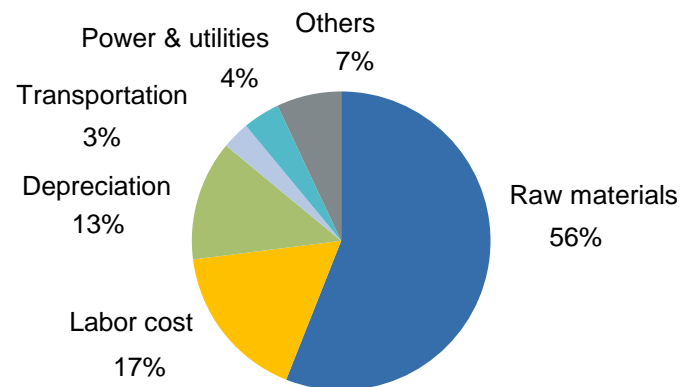


Cost, Gross Profit and Changes in Account Receivable

Gross Profit Margin Declined



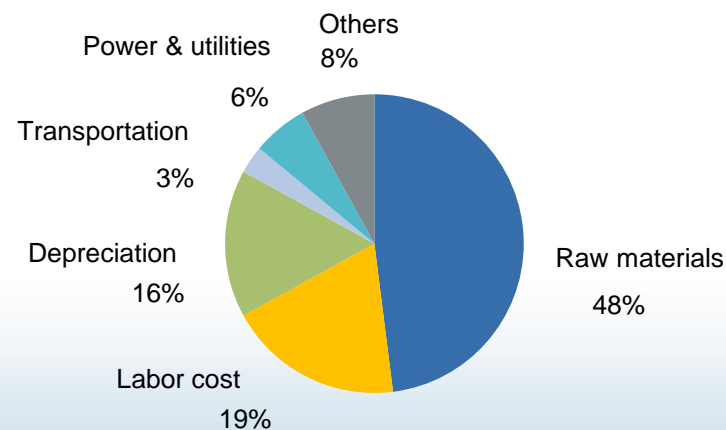
Total Cost in 2019: RMB2,489 million



Account Receivable

'000 RMB	12/31/2020	12/31/2019
- Within 90 days	614,800	907,375
- over 90 days and within 180 days	154,954	388,624
- over 180 days and within 360 days	237,912	341,155
- over 360 days and within 720 days	305,019	352,456
- over 720 days	131,248	96,766

Total Cost in 2020: RMB1,929 million

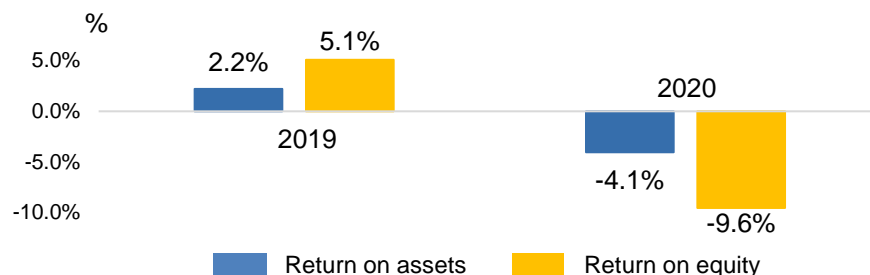


Capital Structure and Return Rate

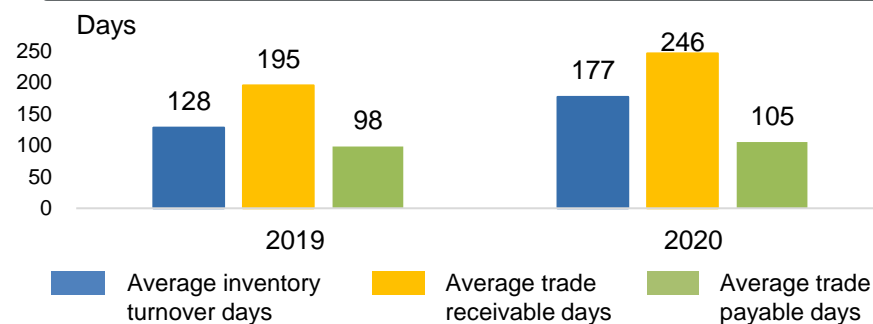
Capital Structure

	12/31/2020	12/31/2019
RMB mm		
Cash & cash equivalents	697	783
Current assets	4,093	4,674
Total assets	7,370	8,541
Short-term debt	3,102	1,712
Long-term debt	24	1,531
Total liabilities	4,252	4,835
Shareholders' equity	3,074	3,663
Minority interest	44	44
Total equity	3,118	3,706

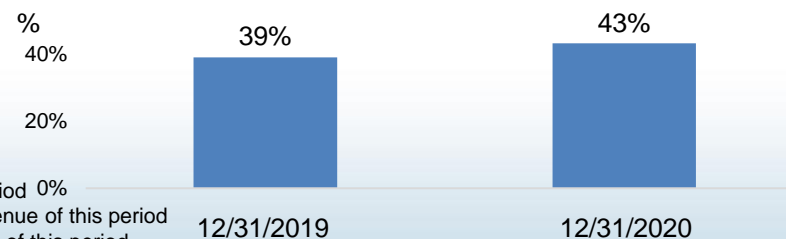
Return on Assets & Return on Equity¹



Turnover Days for Current Assets²



Gearing Ratio: Net Debt/Total Capital³

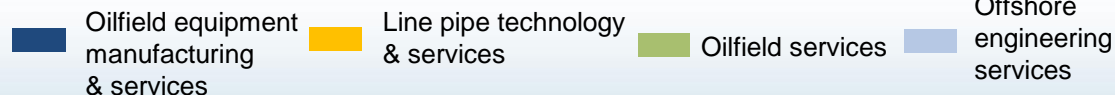
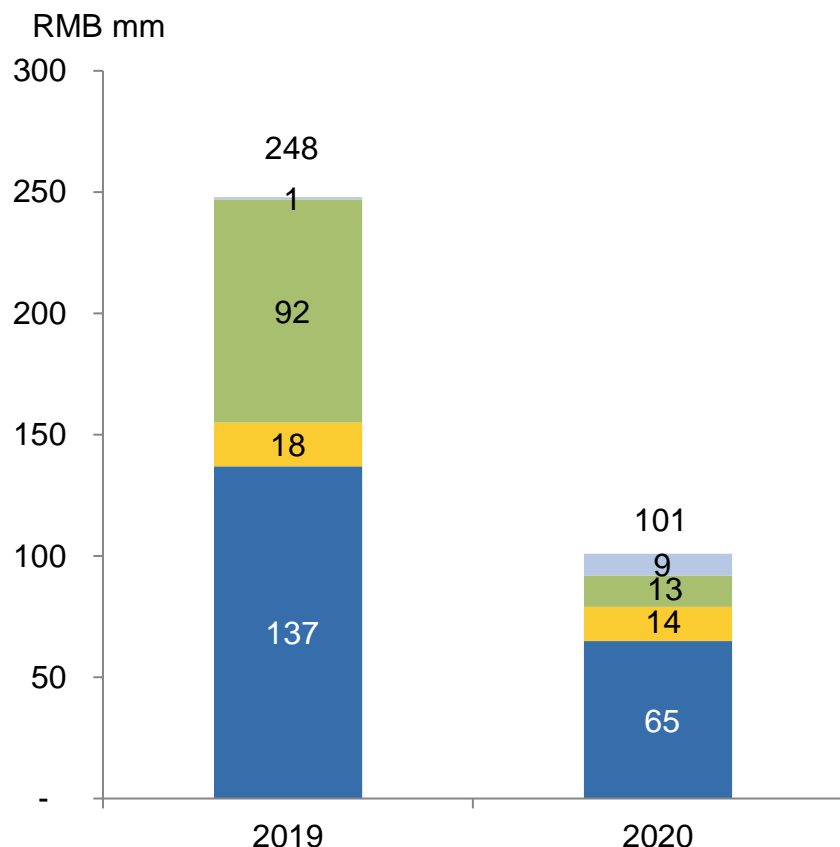


Note:

- 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

- ❖ The overall demand for new investments has decreased and the Company will strictly control capex except maintenance requirement to ensure the cash flow for normal operation
 - ❖ Oilfield services
 - ◆ Maintenance capex for existing rigs
 - ◆ Only considers potential projects without new capital investment
 - ❖ Line pipe technology & services
 - ◆ Maintenance capex for the business development of line pipe inspection services
 - ❖ Oilfield equipment manufacturing & services
 - ◆ Maintenance & upgrade capex for certain plants to meet the requirement of local regulatory authorities for safety and environmental protection purposes

Business Outlook

New Opportunities Arising from The Stabilizing Global Market And The New Round of Domestic Development

Oilfield Equipment Manufacturing & Services

- ❖ Focus on drill pipes applicable for unconventional oil & gas resources and adopt differentiated marketing strategies in China
- ❖ Follow up the key large-scale customers, promote high-end drill pipe products and the repairing services and win more high value-added orders in overseas markets
- ❖ Improve industry penetration and market coverage as well as develop new demands for domestic OCTG coating business
- ❖ Capture the OCTG coating market opportunities in Russia and its surrounding regions and meet customers' specific needs

Line Pipe Technology & Services

- ❖ Grasp the major opportunities brought by the market-oriented reform of oil and gas pipeline network operations in China and explore the domestic market
- ❖ Leverage the core customers such as Baosteel to develop overseas business in the new international market environment
- ❖ Line pipe inspection services is growing into a high-tech business with high growth and has secured a number of orders and potential projects



Oilfield Services

- ❖ Increase marketing efforts to ensure and improve the utilization rate of the rig fleet
- ❖ Expand new markets and customers to achieve breakthrough in China, Russia and Middle East
- ❖ Strengthen customer stickiness and strive for continuous cooperation opportunities with key mainstream customers in overseas markets
- ❖ Develop technical services to gradually reduce dependence on drilling business

Offshore Engineering Services

- ❖ Seize potential business opportunities from CNOOC's "Seven-year Action Plan"
- ❖ Continue to explore the market potentials in the offshore wind power industry
- ❖ Remain the regional focus on China, Southeast Asia and Middle East

Q & A