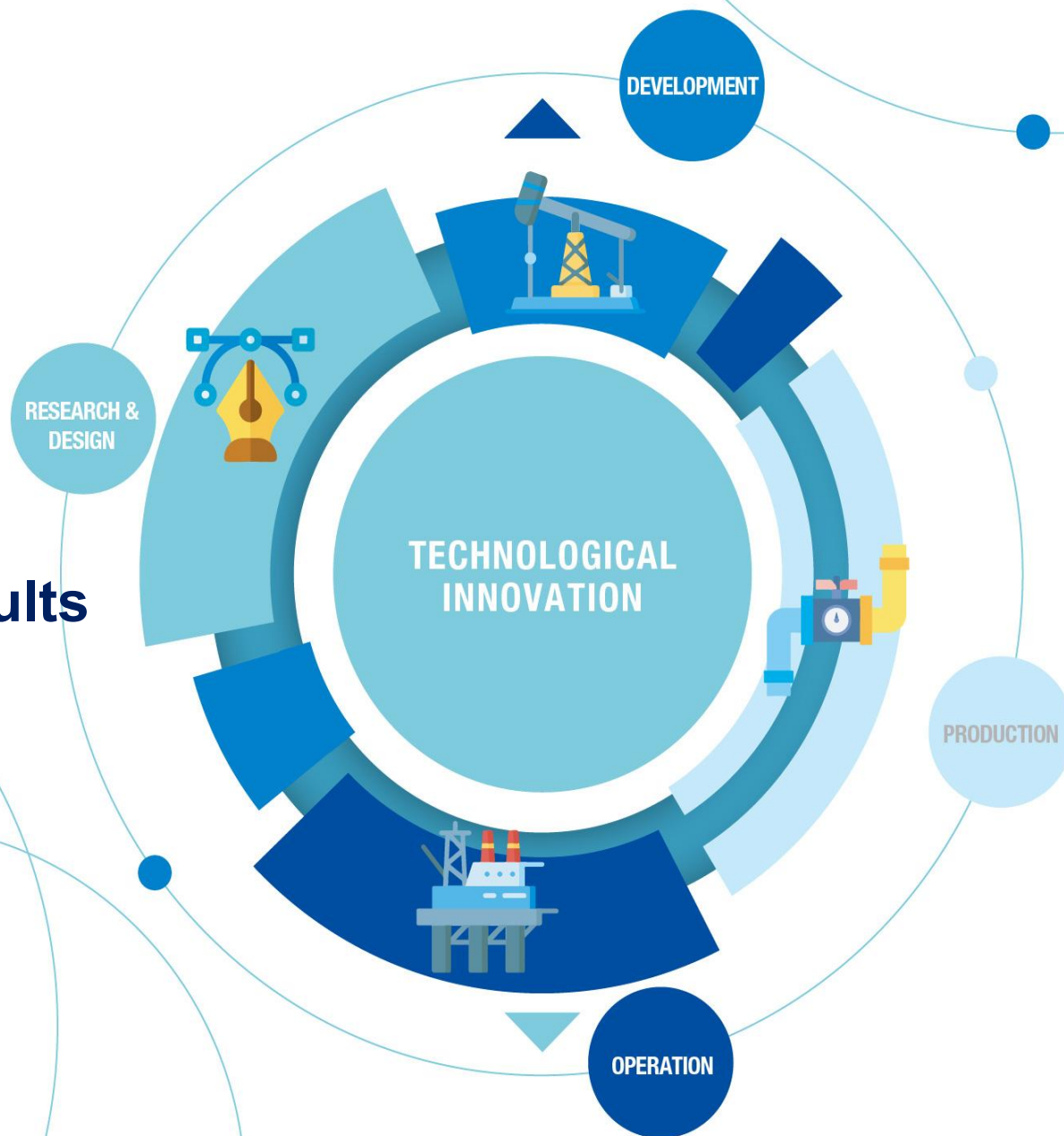




海隆控股有限公司\*  
Hilong Holding Limited

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

# 2021 Annual Results Presentation



\* For identification purpose only

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## Results Highlights

# Results Highlights

- ❖ Revenue of drill pipe business declined slightly due to the industry fluctuation; revenue of OCTG increased slightly
- ❖ Competition led to lower price level while the rising raw materials prices and transportation costs affected the profitability in the short term
- ❖ Adjust strategies to proactively adapt to the market and meet the requirements of different customers
- ❖ Explore new business fields such as applying coatings in addition to the OCTG

## Oilfield Equipment Manufacturing & Services

- ❖ Achieved overall stable operation with all projects smoothly operated and revenue significantly increased
- ❖ Successfully completed the challenging work in the second dry season construction for the Bangladesh project
- ❖ Successfully carried out offshore wind power projects
- ❖ Participated in a vessel leasing service project by utilizing the partner's resources

## Offshore Engineering Services

## Oilfield Services

- ❖ Realized overall stable operation and steady improvement of performance
- ❖ Utilization rate of drilling and workover rigs was significantly higher, inter well relocation and installation cycle was significantly shorter, and successfully bid for the turnkey project from Kuwait Energy Iraq Ltd. ("KE Iraq")
- ❖ Successfully operated various technical services
- ❖ Orderbook for trading services increased significantly

- **In 2021, Hilong realized overall stable operation and improved performance, recording a total revenue of RMB 2.917 billion**

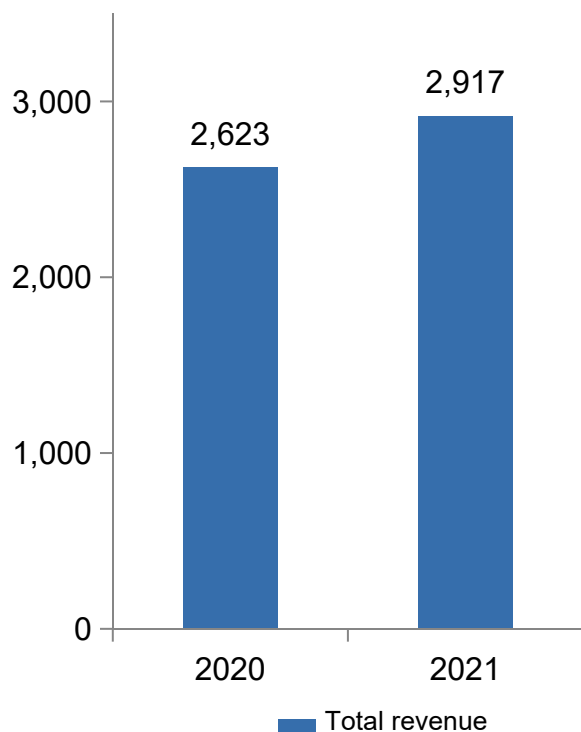
## Line Pipe Technology & Services

- ❖ Remarkable revenue growth
- ❖ Firmly captured the core clients in corrosion-resistant coating and concrete-weighted coating ("CWC") businesses and obtained several major projects
- ❖ Continuously explored market and strived for new customers and orders
- ❖ Pipeline inspection services recorded rapid development

# Financial Overview

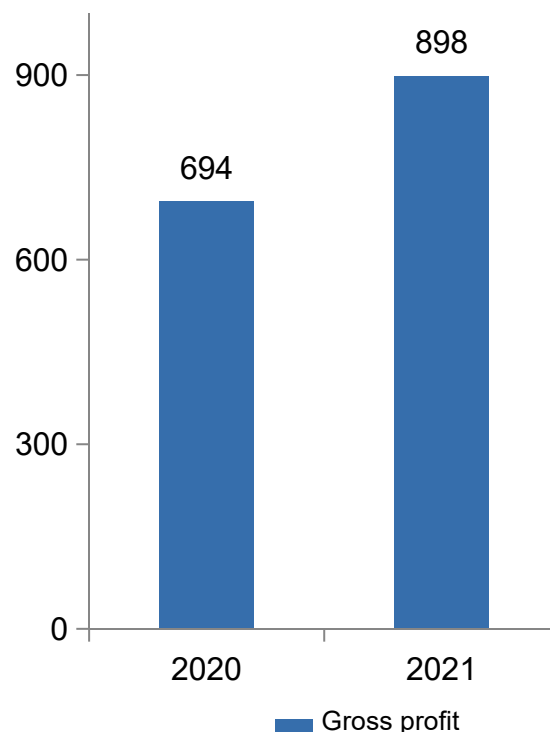
## Revenue

RMB mm



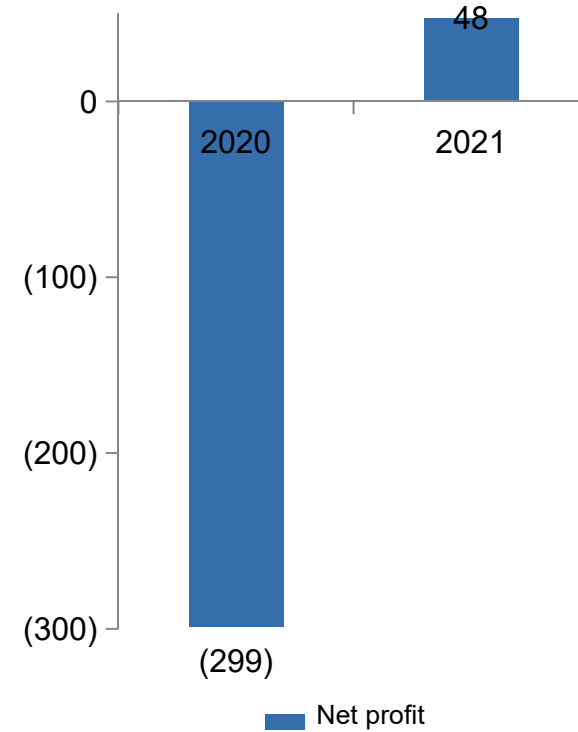
## Gross Profit


RMB mm



## Net Profit

RMB mm

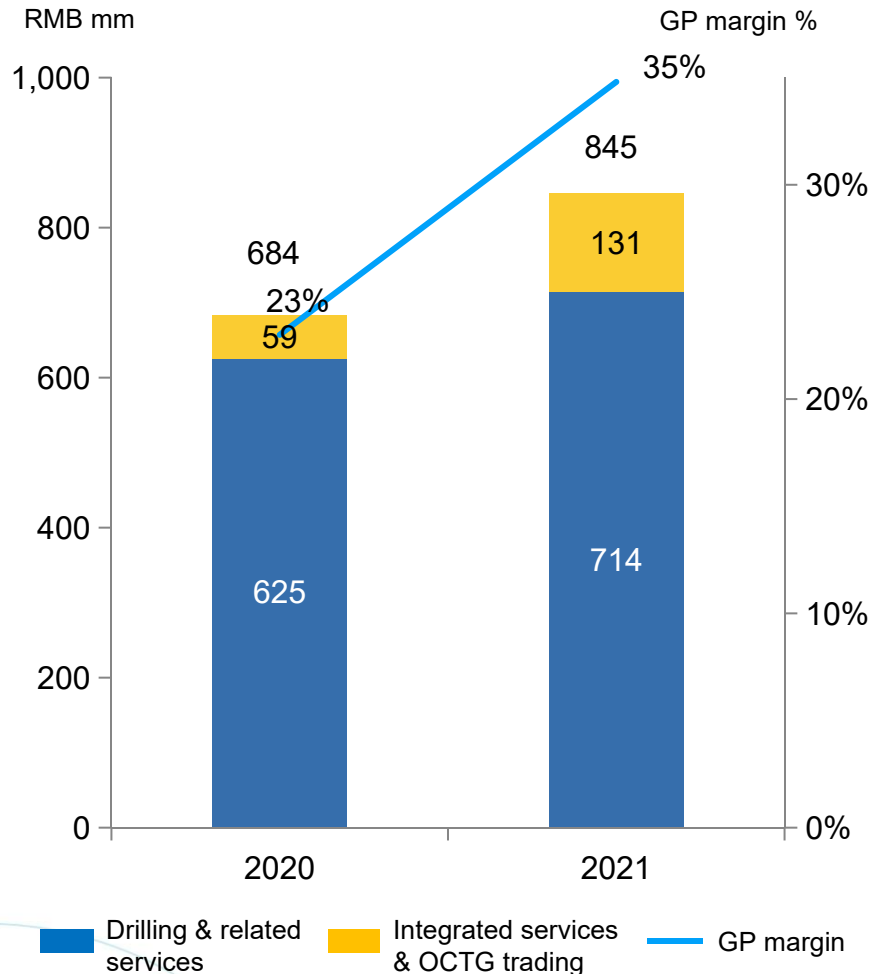


 In 2021, the Company realized a total revenue of RMB2,917 million and net profit of RMB47.6 million

# Business Review

# Oilfield Services

## Segment Revenue of RMB845 million



## Achieved Stable Operation with Highlights

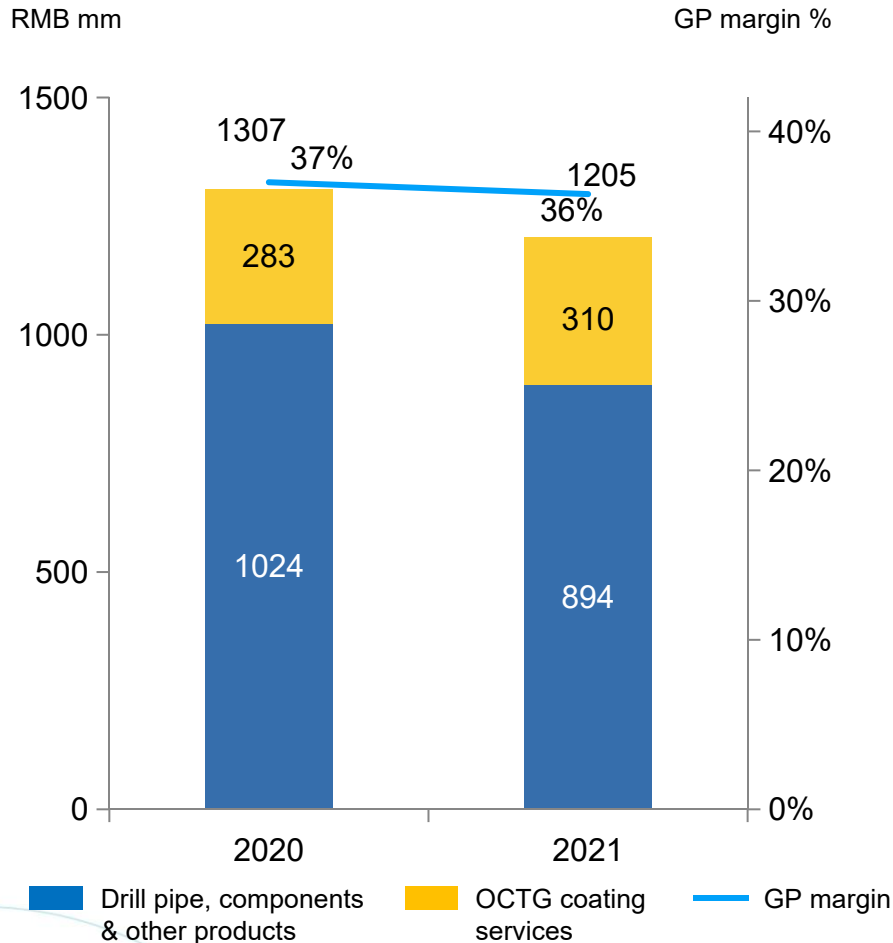
- ❖ Implemented all-round normalized control of the pandemic, increased marketing efforts and coordination among all businesses then ensured the stability of the production and operation order of the segment and realized the steady improvement of performance
- ❖ Significantly improved rigs utilization and got the inter well relocation and installation cycle significantly shorter, and successfully bid for the contract of turnkey drilling service from KE Iraq
  - ❖ The comprehensive performance, project management and customer satisfaction of several teams continued to improve
- ❖ Successfully operated various technical services and will further promote the diversification of such businesses
- ❖ Orderbook for trading services doubled in Ecuador and achieved a breakthrough in sales of accessories in addition to tubing & casing
- ❖ Completed the qualification certification of several world-class customers, getting well-prepared for exploring new market opportunities



# Oilfield Equipment Manufacturing and Services

Segment Revenue of RMB1205 million

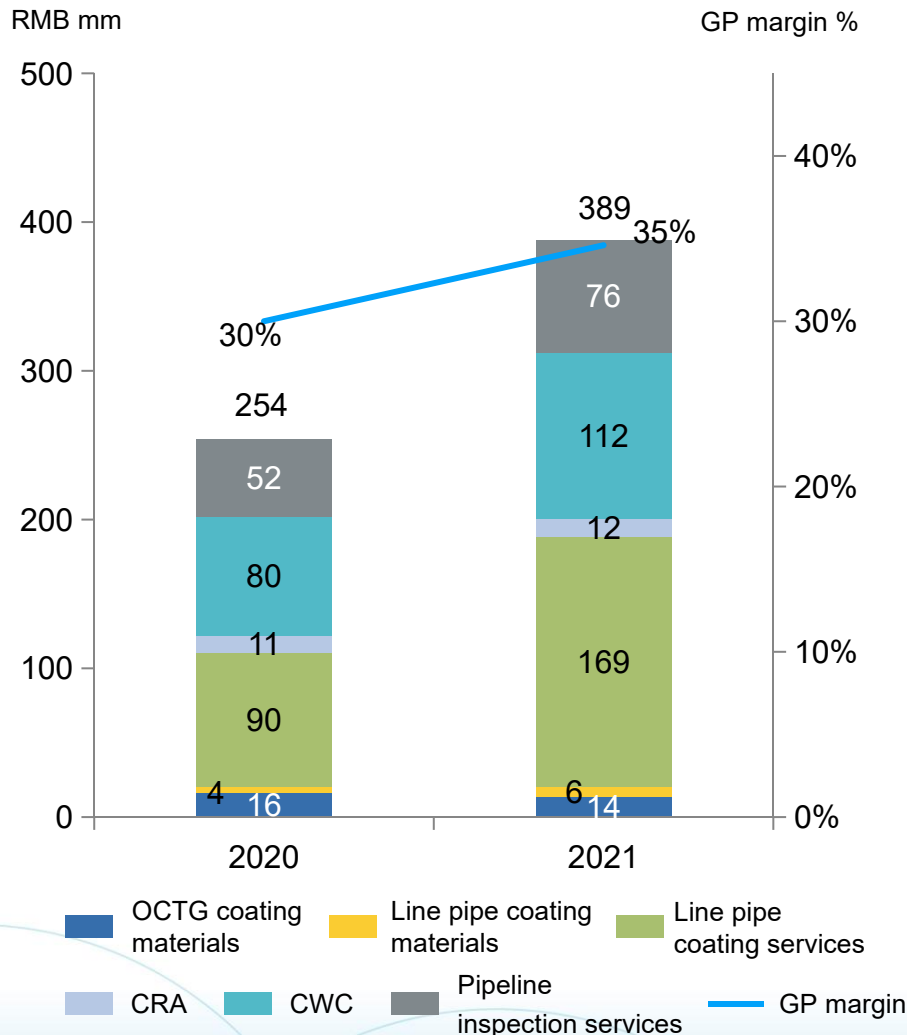
Business Slightly Declined Due to Sluggish Demand










- ❖ Upstream customers remained cautious in investment and procurement of oilfield equipment, the market competition was fierce, resulting a slight decline in the revenue
- ❖ Customers were price sensitive while some competitors adopted low price strategy, resulting in the decline of the overall price level of the market
- ❖ The obvious rise of raw material prices and transportation costs and the extension of transportation cycle caused by the pandemic have affected the profitability of the segment in the short term
- ❖ Adjust strategy to meet the needs of different customers while adhering to high-end customers, high-end products and customized routes
- ❖ Actively explore new business fields, such as the application of OCTG coating in ground gathering pipelines, special-shaped components and other fields
- ❖ Won a high-end drill pipe supply contract with ADNOC Drilling in the United Arab Emirates with a total amount of approximately US\$69 million during this reporting period

# Line Pipe Technology and Services

## Segment Revenue of RMB389 million



## Realized Significant Growth with Full Workload

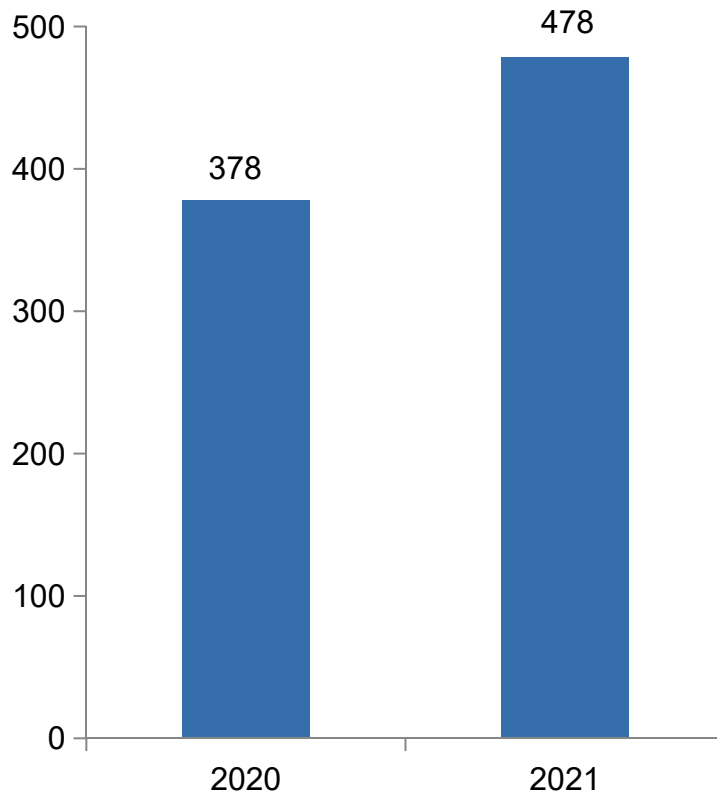
-  Firmly held core clients in corrosion-resistant coating and CWC businesses and obtained several major projects from key customers
-  Entered a series of contracts with Zhejiang energy and Zhejiang Petroleum & Chemical for corrosion-resistant coating and CWC businesses
-  Maintained close cooperation with Baosteel for years and signed several sales contracts
-  The core businesses of the segment including line pipe coating services, CWC services and pipeline inspection services all developed rapidly – obtained several projects in domestic market and actively sought overseas business
-  Various types of inspection equipments have been successfully developed or put into use, the inspection equipments of the company have been recognized by many domestic companies
-  Continued to explore the market and strive for new customers and orders
-  Was successively shortlisted in BASF's supplier system and Yanchang Petroleum Pipeline's annual service supplier system; passed the audit and certification of TotalEnergies

# Offshore Engineering Services

Segment Revenue of RMB478 million

Recorded Remarkable Revenue Increase

RMB mm



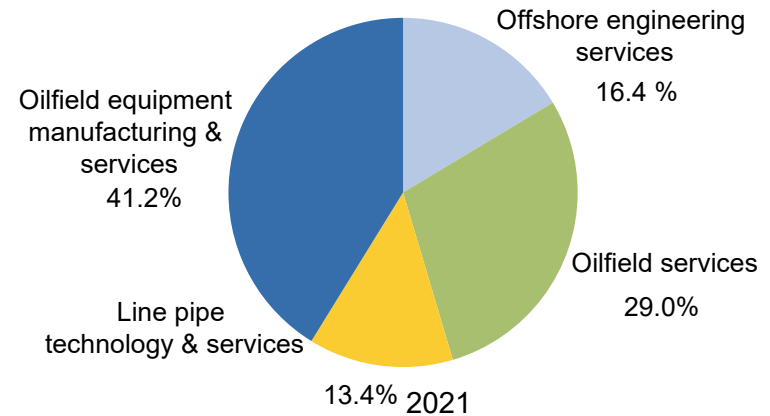
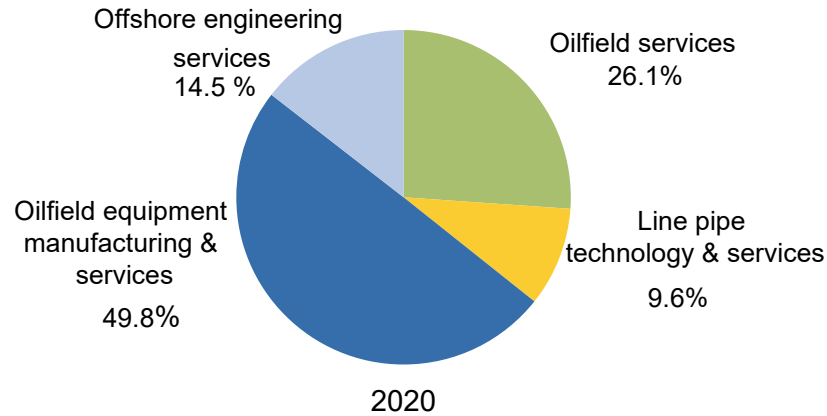
Offshore engineering services

- ❖ Achieved significant growth with all projects ran smoothly
- ❖ Successfully completed the deep excavation and backfilling of 4 world-class channels in the second dry season construction of the Bangladesh offshore pipeline construction project, which highly recognized by all parties involved
- ❖ Successfully carried out offshore wind power projects and contributed continuous and stable cash flow, representing a breakthrough beyond the oil and gas industry
- ❖ Fully utilized the partner's resources to participate in a vessel leasing service project, the required lifting and pipe-laying vessel successfully participated in the corresponding submarine pipeline laying operations

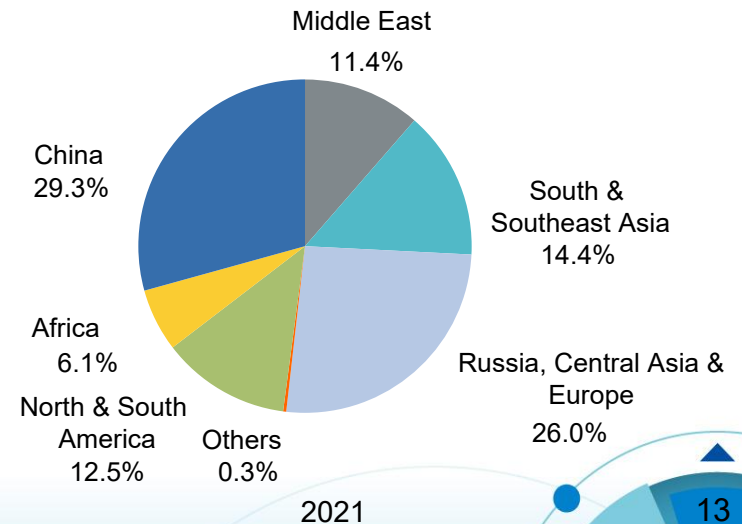
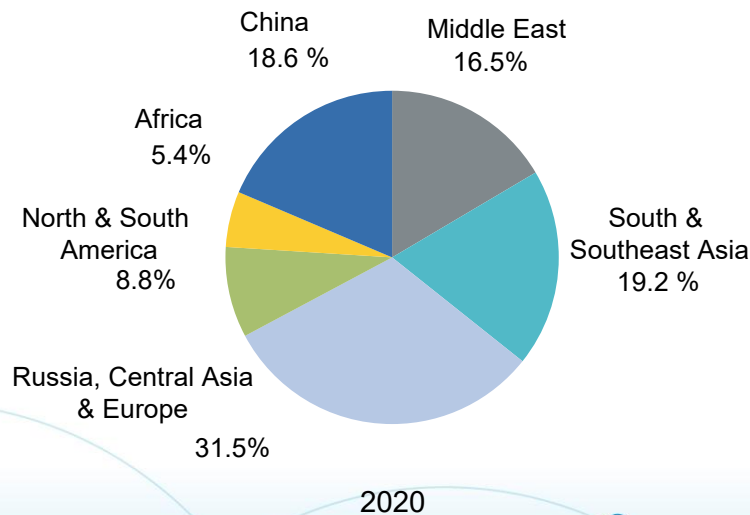
# Financial Performance

# Revenue Breakdown

## Revenue Breakdown by Segment

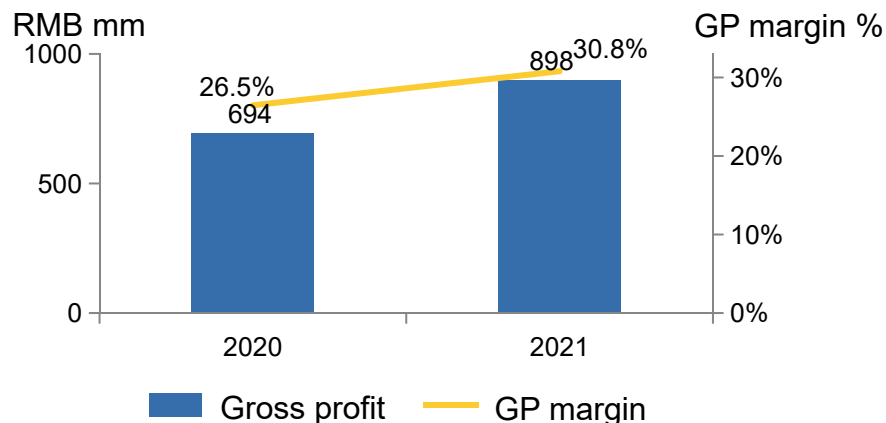


## Revenue Breakdown by Region

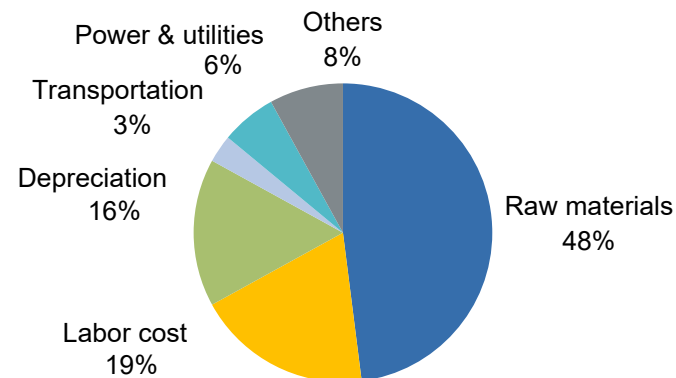


# Cost, Gross Profit and Account Receivable

## Gross Profit Margin Increased



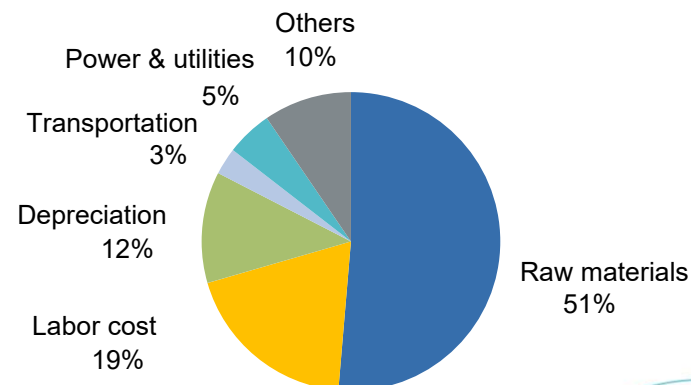
## Total Cost in 2020: RMB1,929 million



## Account Receivable

'000 RMB	12/31/2021	12/31/2020
- within 90 days	<b>702,057</b>	614,800
- over 90 days and within 180 days	<b>211,797</b>	154,954
- over 180 days and within 360 days	<b>157,964</b>	237,912
- over 360 days and within 720 days	<b>163,462</b>	305,019
- over 720 days	<b>161,555</b>	131,248

## Total Cost in 2021: RMB2,019 million

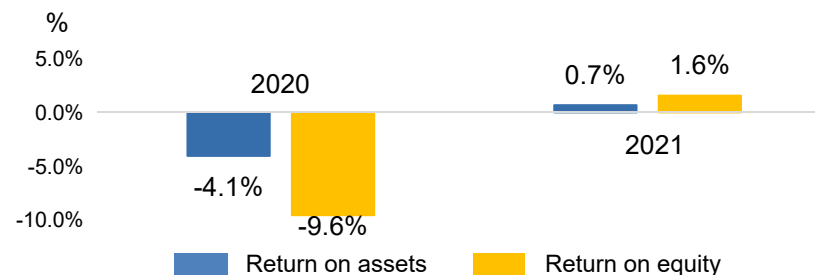


# Capital Structure and Return Rate

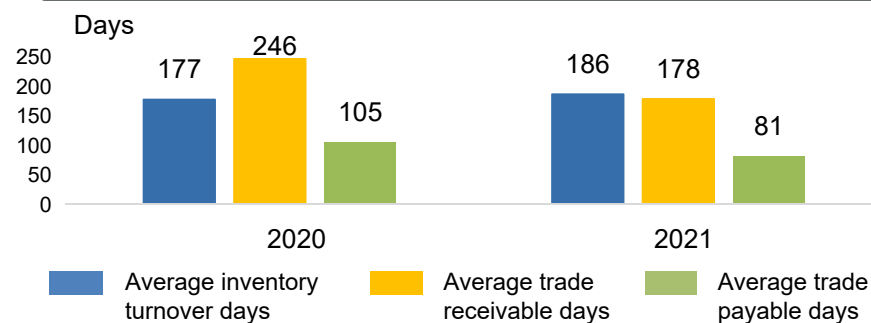
## Capital Structure

	12/31/2021	12/31/2020
RMB mm		
Cash & cash equivalents	629	697
Current assets	4,127	4,093
Total assets	7,072	7,370
Short-term debt	607	3,102
Long-term debt	2,433	24
Total liabilities	4,029	4,252
Shareholders' equity	3,015	3,074
Minority interest	27	44
Total equity	3,043	3,118

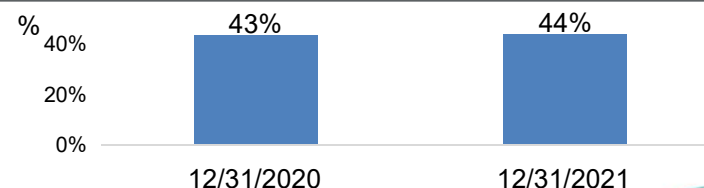
## Return on Assets & Return on Equity<sup>1</sup>



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



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

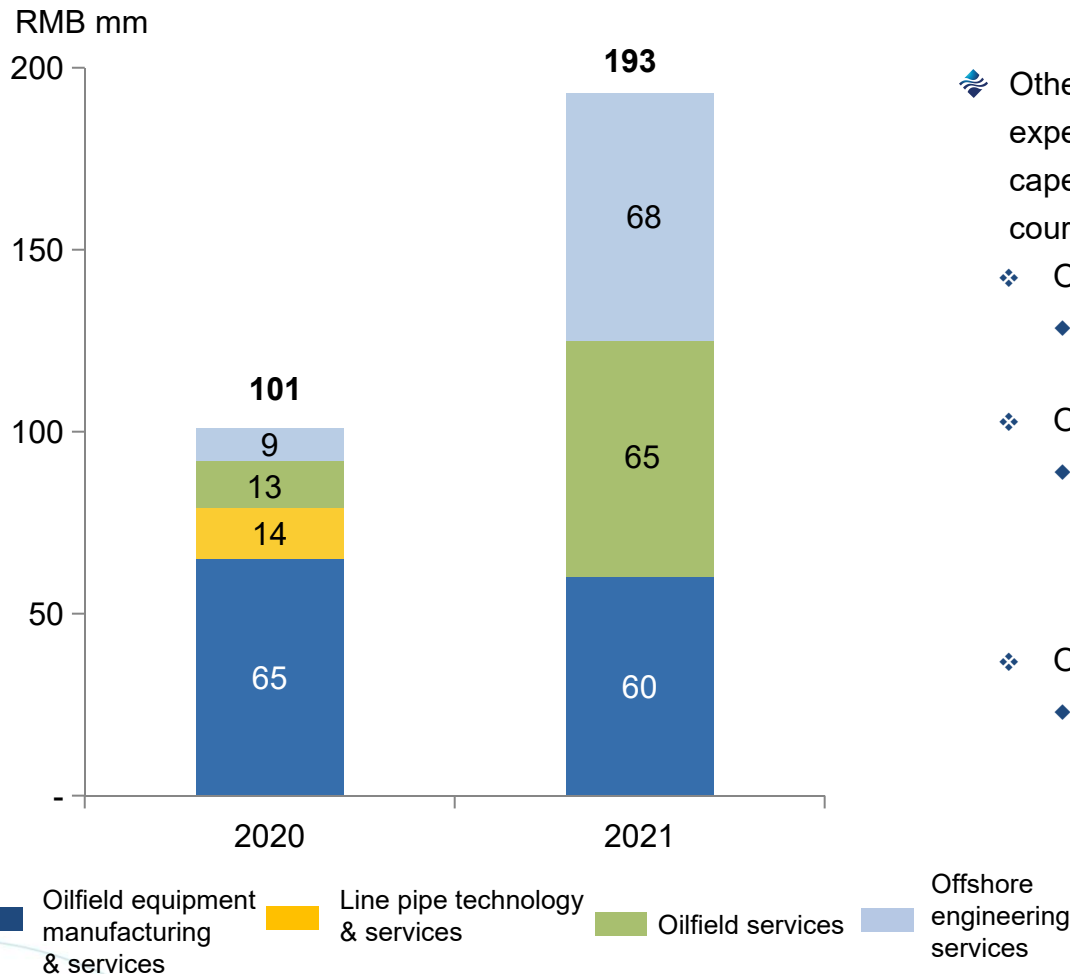


Note:

- 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 2021

- ❖ Other than the necessary maintenance expenditures, the company strictly controls new capex to ensure the cash flow in the ordinary course of business
- ❖ Oilfield services
  - ◆ Maintenance & upgrading capex for existing rigs
- ❖ Oilfield equipment manufacturing & services
  - ◆ Maintenance & upgrading capex for certain plants to meet the requirement of regulatory authorities for safety and environmental protection purposes
- ❖ Offshore engineering Services
  - ◆ Hilong 106 vessel maintenance & upgrading



## Business Outlook

# Grasp the Opportunities Brought by The Recovering Global Market And The Continuous Development in China

## Oilfield Equipment Manufacturing & Services

### Drill pipe

- ❖ China market – adopt differentiated marketing strategies; focus on the development and promotion of high-end products such as sulfur-resistant drill pipes
- ❖ Overseas markets – maintain existing strategic partners; actively cultivate new customers; continue to focus on the development of high-end market and strive for more orders of high value-added products

### OCTG coatings

- ❖ China market – focus on core customers and explore demands from new application fields
- ❖ Overseas markets – acquire more orders from stable key customers; continue to seek business in new regions such as the Middle East

## Line Pipe Technology & Services

- ❖ Explore the opportunities brought by the domestic oil and gas pipeline network construction and develop overseas projects
- ❖ Pipeline inspection services consolidate domestic business while actively exploring overseas development opportunities



## Oilfield Services

- ❖ Expand into new markets and acquire new customers and new projects, and strive to make breakthroughs in the Middle East, Africa and other regions
- ❖ Vigorously develop the market, utilize external resources, and seek business expansion and transformation on the basis of existing mature project in Iraq
- ❖ Obtain certifications in China; target to provide domestic customers with diversified high-end services
- ❖ Make breakthroughs in addition to tubing & casing for trading services, strive to form an interconnection within the segment and enhance customer stickiness

## Offshore Engineering Services

- ❖ Focus on the third dry season construction work of the Bangladesh project
- ❖ Capture the potential opportunities brought by CNOOC's "seven-year action plan"; intensify market development in both the international and domestic markets, and focus on business opportunities in the offshore wind power engineering construction market
- ❖ Make full use of the JV platform to strengthen market position in Southeast Asia and pay close attention to opportunities in the Middle East and other regions

## Q & A