



海隆控股有限公司*
Hilong Holding Limited

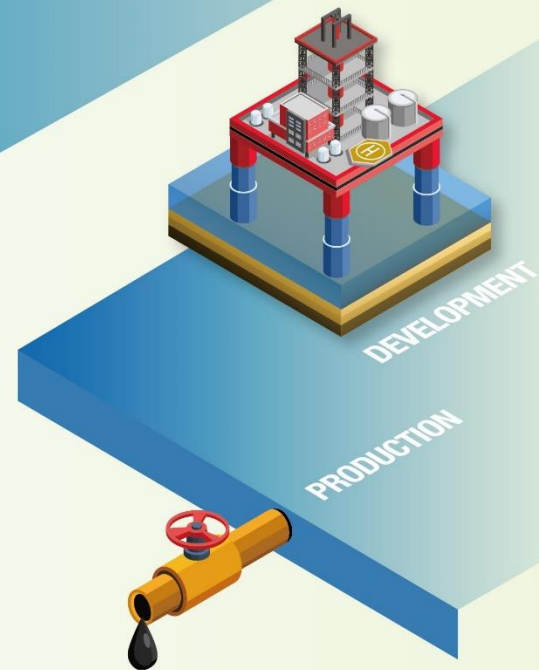
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1623

TECHNOLOGICAL INNOVATION

2023 Interim Results Presentation



RESEARCH &
DESIGN



* For identification purpose only

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Results Highlights

Results Highlights

Oilfield Services

- ❖ Segment revenue increased significantly by 27%
- ❖ Signed contracts with some prestigious customers such as ADNOC, Baoji Oilfield, etc.
- ❖ Since Hilong won the litigations initiated by CITT and CBSA, brand image continues to enhance in the Canadian/ US markets
- ❖ Products such as high strength sour service drill pipes recognized by customers and will further facilitate the position in markets such as the Middle East/ US/ Canada
- ❖ Several research projects have achieved progress milestones
- ❖ The informationization, automation and transformation had elevated production

Oilfield Equipment Manufacturing & Services

- ❖ Secured project cooperation from a number of customers during the reporting period
- ❖ The information technology business has obtained a number of intellectual property rights and certifications; won the bid or signed contracts for a number of projects

Line Pipe Technology & Services

- ❖ Achieved stable growth of the segment and revenue grew significantly by 28%
- ❖ Overall utilization rate and inter well relocation and installation speed of drilling & workover rigs improved with sufficient workloads
- ❖ Obtained drilling & workover contracts in existing markets and made breakthroughs in “existing markets with new business”
- ❖ Obtained contracts in new markets such as the UAE, Malaysia and developed “new markets and new businesses”
- ❖ Integrated technical services continued to grow steadily
- ❖ The volume of trade services business also increased significantly
- ❖ Technology R&D and digital transformation were actively promoted and made progress

In 1H 2023, Hilong achieved stable growth and improved performance, recording revenue of about RMB 2,106 mn (24% growth) and net profit of about RMB 151 mn (169% growth)

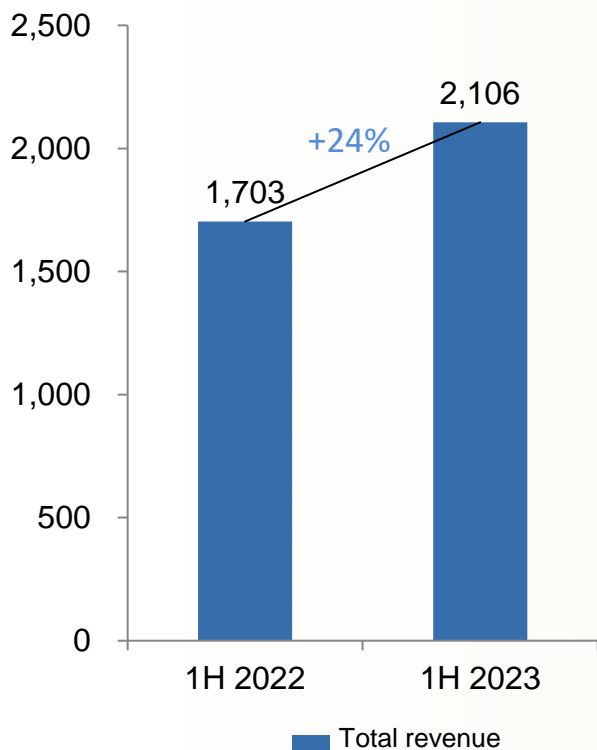
Offshore Engineering Services

- ❖ Utilizing the synergy among our “Four Centers”, the revenue increased significantly by 131%
- ❖ Successfully completed the CGN project and CNOOC project
- ❖ Multiple projects such as those obtained in Thailand and Saudi Arabia are currently being executed
- ❖ The adaptive modification and elevation of Hilong 106 had been successfully implemented, entering the Middle East region for the first time
- ❖ Focusing on Southeast Asia and the Middle East markets, and selectively entering the markets of West Africa, Russia and South America
- ❖ Contracts have been signed with Mermaid Subsea Services, Lamprell Energy and Lamprell Saudi Arabia
- ❖ Strengthened high-tech R&D and digital capacity construction

Financial Overview

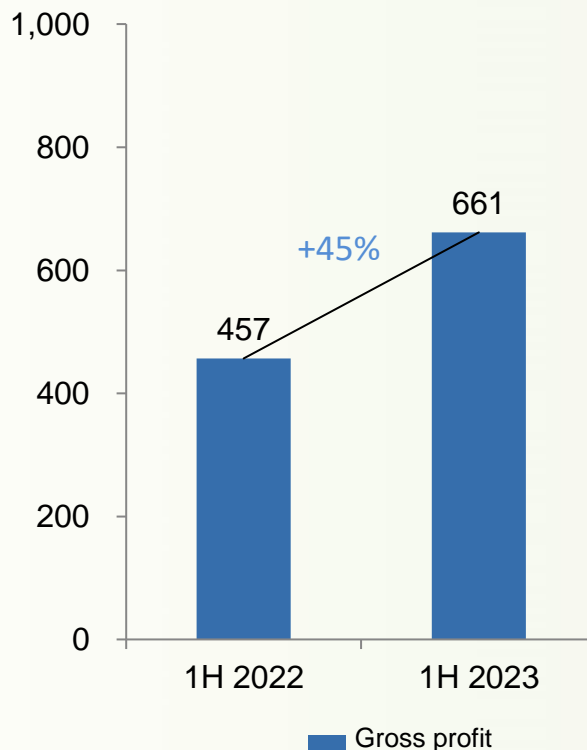
Revenue

RMB mm



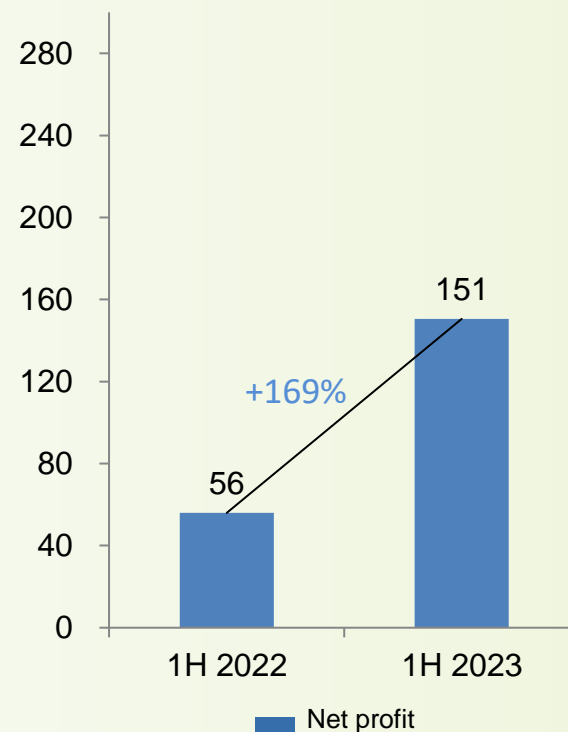
Gross Profit


RMB mm



Net Profit

RMB mm

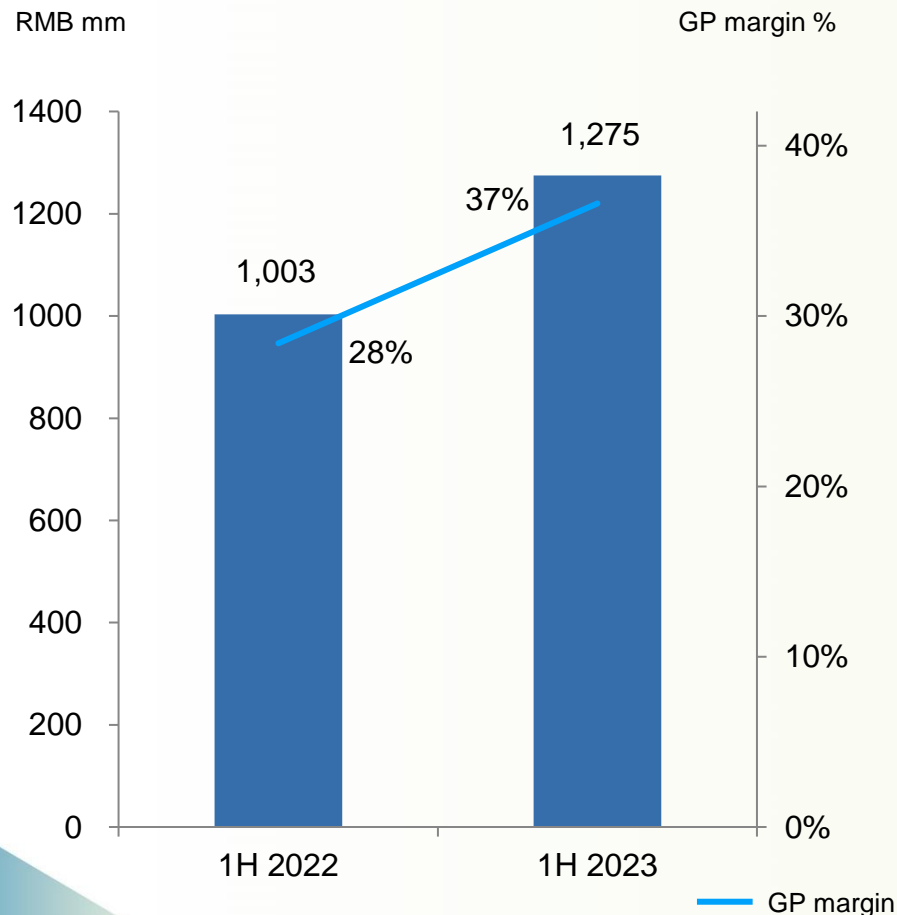


 In 1H 2023, the Company realized a total revenue of RMB2,106 million and net profit of RMB151 million

Business Review

Oilfield Equipment Manufacturing and Services

Segment Revenue of RMB1,275 million

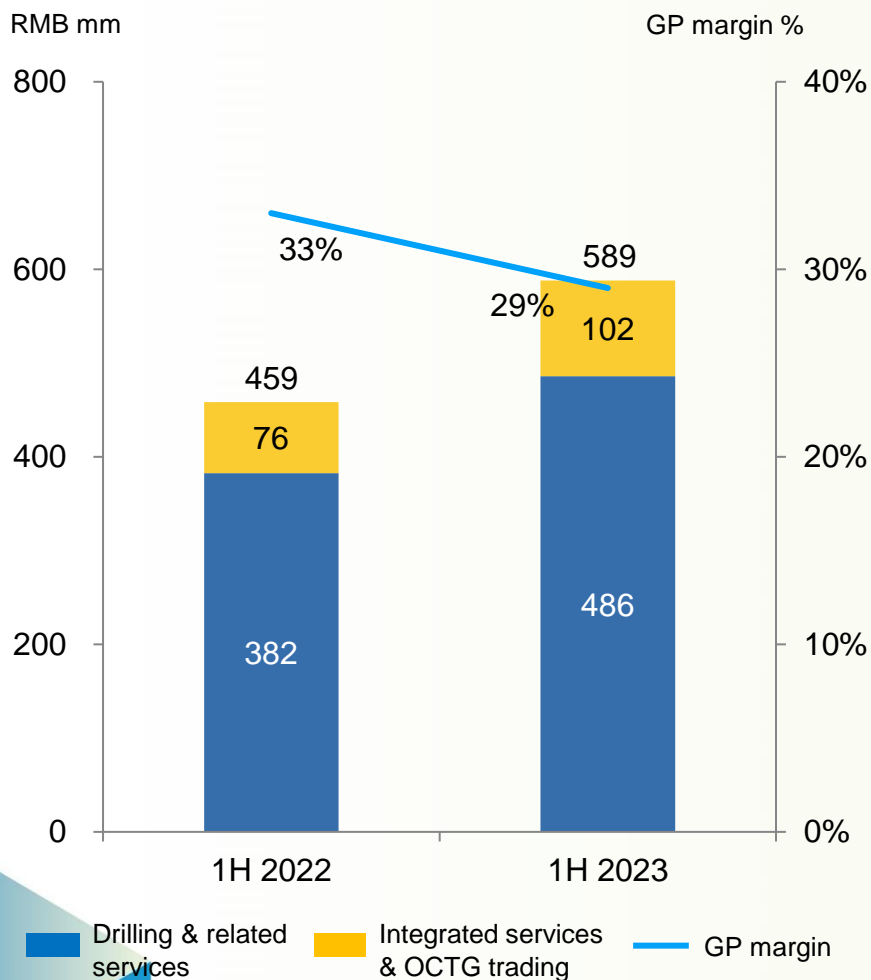


Strengthened R&D, Increased Market Demand, Growth in Revenue

- ❖ Demand for oilfield equipment increased significantly due to the positive impact of factors such as increased upstream Capex, segment revenue increased significantly by 27%
- ❖ Sales of various types of drilling tools, such as drill pipes, heavy weight drill pipes and components increased compared with 1H2022, and the order volume is sufficient
- ❖ Since Hilong won the litigations initiated by CITT and CBSA against Chinese exports of drill pipes to Canada, Hilong's brand image continues to enhance in the Canadian/ US markets
- ❖ Signed a series of contracts with ADNOC, Baoji Oilfield, Sichuan Honghua, Arabian Drilling Company and Egyptian Drilling Company in respect of supply of drilling tools and components
- ❖ Products such as high strength sour service/ high strength/ high torque drilling tools had been recognized by customers in the Middle East and other markets, and will further facilitate our position in markets such as the Middle East/ US/ Canada
- ❖ During the reporting period, a couple of research projects have achieved progress milestones:
 - R&D of HL130S/HL135MS high strength sour service, high strength, high torque drill pipe and other products had achieve some results
 - Promotion project of HLNST special screw head had completed the acceptance, and got orders in the North American market; high-pressure resistant special screw head development project for marine riser established a clear direction for technology development
 - R&D projects such as the research of electronic labeling drill pipe and wellhead interaction technology for deep wells and the research of intelligent drill pipe had being recognized by customers
 - The informationization and automation transformation had elevated production, and the production capacity of the assembly line had been upgraded

Oilfield Services

Segment Revenue of RMB589 million

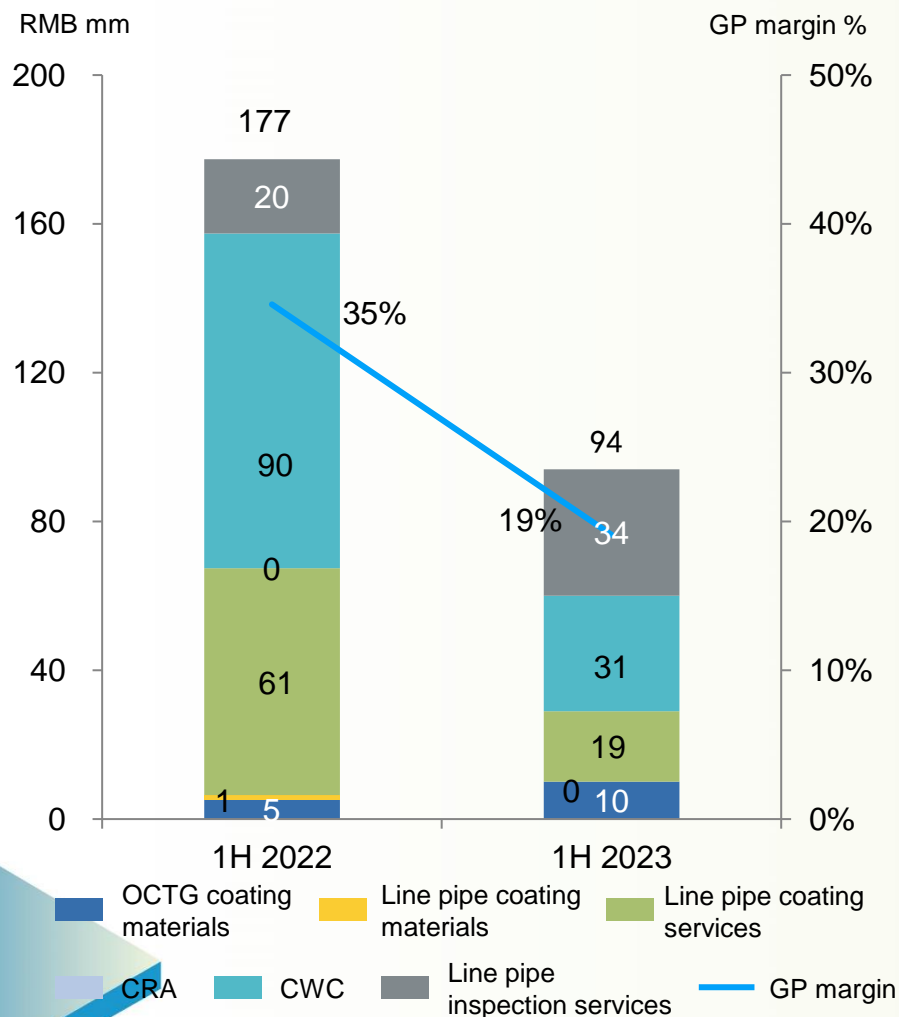


Elevated Integration of Project Capacity, Achieved Stable Growth

- ◆ Adoption of scientific management measures and fully demonstrated the synergistic effects among several business, ensuring the stable growth of the segment and revenue grew significantly by **28%**
- ◆ Overall utilization rate and inter well relocation and installation speed of drilling & workover rigs improved with sufficient workloads
 - Non-productive time rate (NPT) and zero-day rate have presented a downward trend in recent years, which indicated a continued and effective improvement in the Company's operational efficiency
- ◆ Obtained a couple of drilling & workover contracts in existing markets such as Nigeria, Ecuador, Pakistan and Iraq, and signed several contracts for rock fragments processing, waste processing and geomorphology restoration processing, making breakthroughs in **"existing markets with new business"**
- ◆ Obtained a number of contracts in **new markets** such as the UAE, Malaysia and China; developd **"new markets and new businesses"** in Kuwait and Libya
- ◆ Integrated technical services, such as MPD technology, environmental services such as drilling and workover mud/cuttings processing and well site restoration, and nanofluids production enhancement technology, continued to grow steadily
- ◆ The volume of trade services business also increased significantly compared with 1H2022
- ◆ Technology R&D and digital transformation were actively promoted:
 - The R&D project regarding MPD technology had conducted preliminary research and achieved some results
 - For the R&D of nanofluids production enhancement technology, Hilong had conducted the compatibility test and technology verification experiment with universities in China

Line Pipe Technology and Services

Segment Revenue of RMB94 million

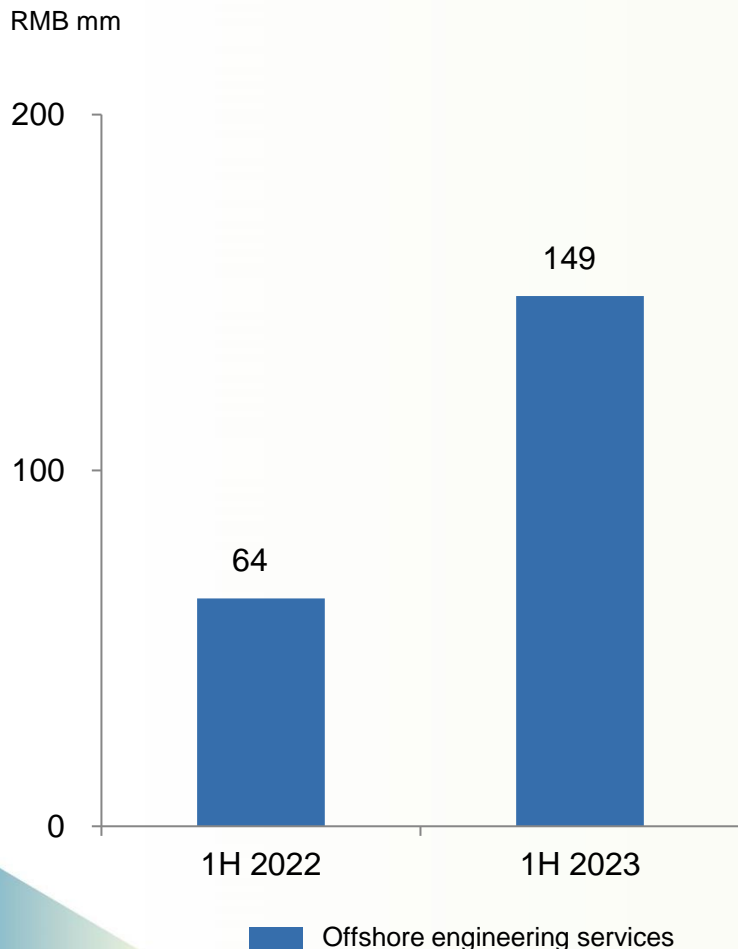


Enhanced R&D efforts

- Line Pipe Technology and Services segment secured project cooperation from a number of customers during the reporting period
- Actively promoted scientific research projects and the progress was in line with expectations
- The information technology business completed the first stage of development of the pipeline inspection data analysis technology based on AI; and the Company also obtained a number of intellectual property rights and certifications; won the bid or signed contracts for a number of projects, including software development, pipeline early warning system and personnel positioning system

Offshore Engineering Services

Segment Revenue of RMB149 million



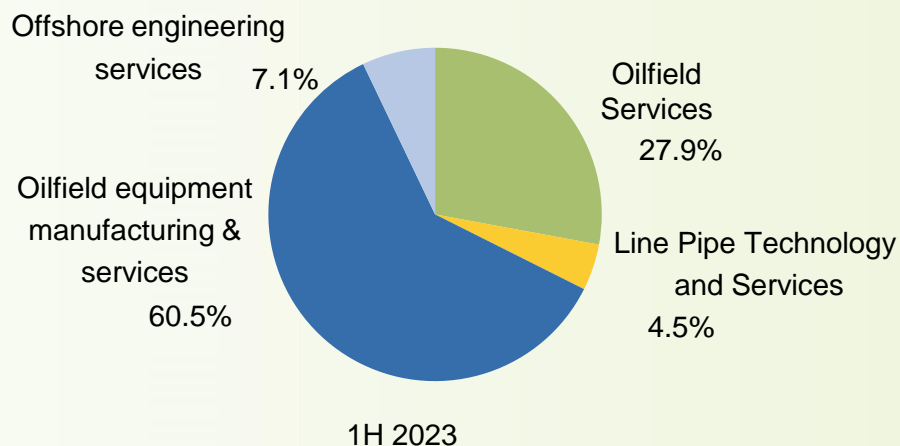
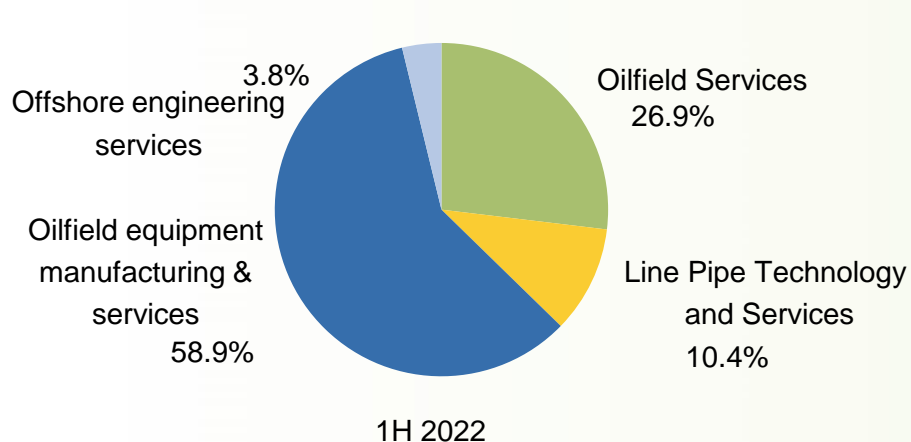
Orders on Hand & Revenue Increased with High Growth Rate

- ❖ Through the expansion of market channels, the construction of bidding system, the improvement of bidding quality and the synergy among our “Four Centers”, the revenue increased significantly by **131%** compared with 1H2022
- ❖ Successfully completed the CGN project and CNOOC project; a number of projects are under execution, such as the offshore construction projects in Thailand and in Saudi Arabia, etc.
 - The adaptive modification and elevation of Hilong 106 had been successfully implemented, entering the Middle East to execute projects for the first time
- ❖ Following the internationalization development, the company had focused on Southeast Asia and the Middle East, and selectively entering the markets of West Africa and South America
 - Transformation from barge services to turnkey businesses such as offshore installation turnkey and engineering turnkey
- ❖ Signed a contract with Mermaid Subsea Services to provide a series of engineering and construction services such as submarine pipeline laying, expansion and bending installation
- ❖ Recently signed contracts with Lamprell Energy and Lamprell Saudi Arabia
- ❖ Has won the bid for several projects in Southeast Asia, the Middle East and Africa, waiting for contract signing
- ❖ Attaching importance to high-tech R&D and digitalization capacity building, several scientific R&D projects made significant progress:
 - The research on large-sized block floating bracket technology has been carried out with research, analysis, and information collection
 - Anchored ship near platform sea pipe laying program has been carried out preliminary research
 - The thematic study on pipeline landing in the near-shore section has developed the programme expansion
 - Research on the development of calculation programs for barge inclination experiments, visualization of offshore installation of wind power projects, and digital commissioning system also achieved preliminary results

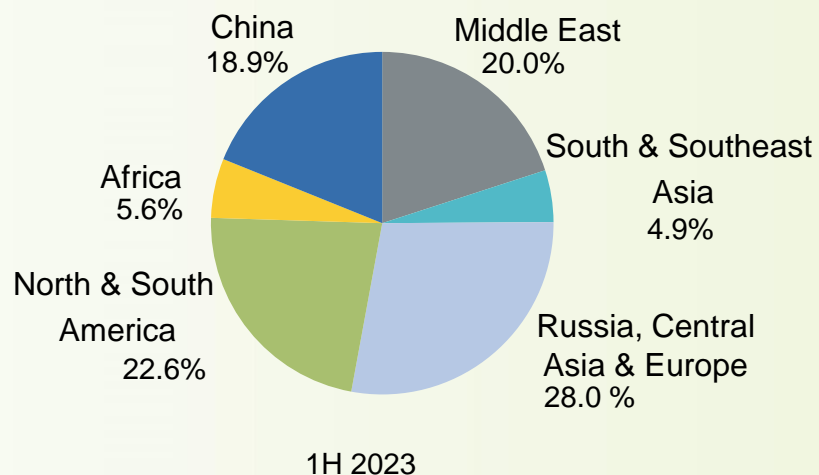
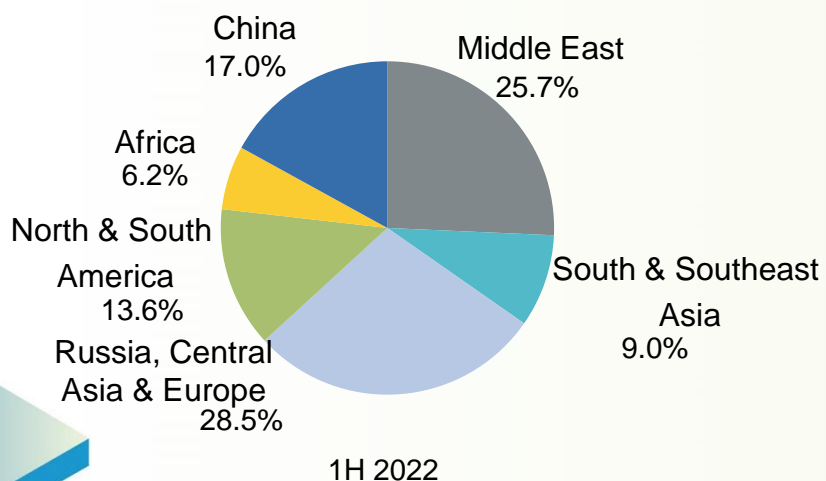
Financial Performance

Revenue Breakdown

Revenue Breakdown by Segment

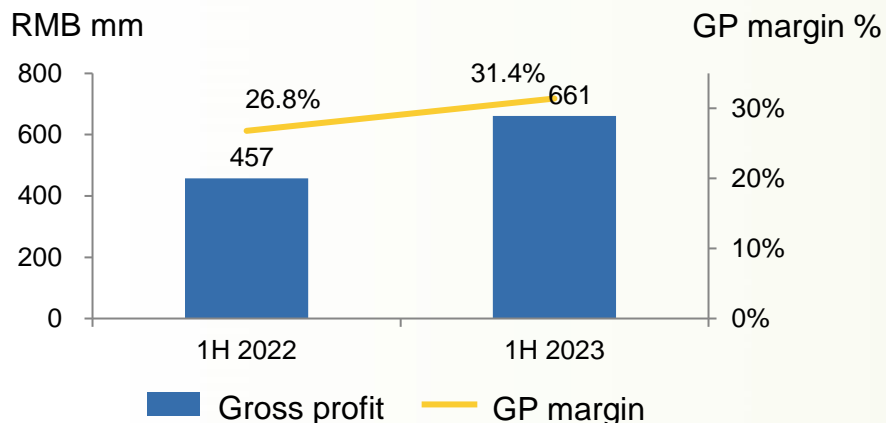


Revenue Breakdown by Region

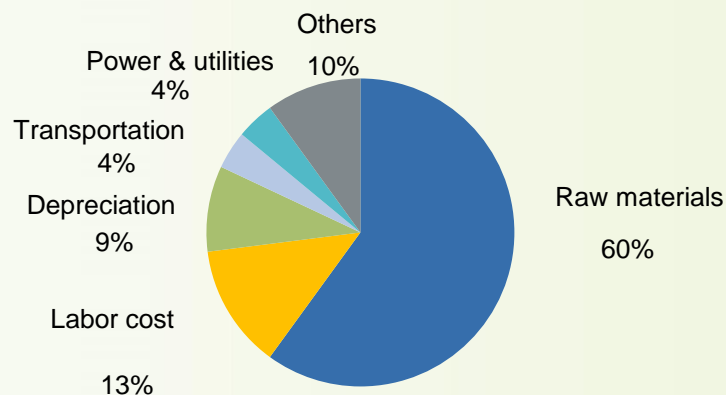


Cost, Gross Profit and Account Receivable

Gross Profit Margin increased



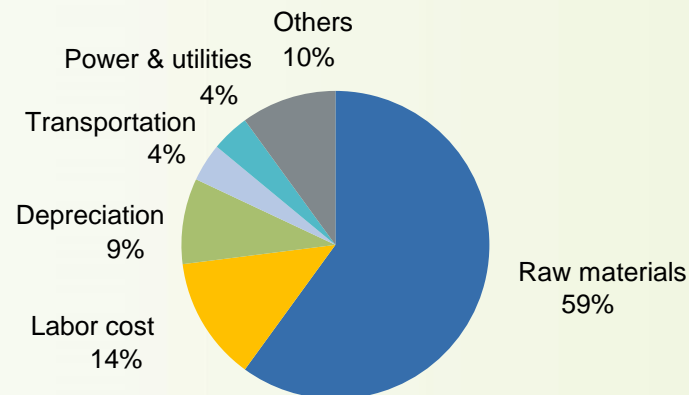
Total Cost in 1H2022: RMB1,246 million



Account Receivable

'000 RMB	6/30/2023	12/31/2022
- within 90 days	973,712	1,055,178
- over 90 days and within 180 days	247,340	270,982
- over 180 days and within 360 days	270,817	122,830
- over 360 days and within 720 days	67,434	56,397
- over 720 days	35,992	51,304

Total Cost in 1H2023: RMB1,445 million

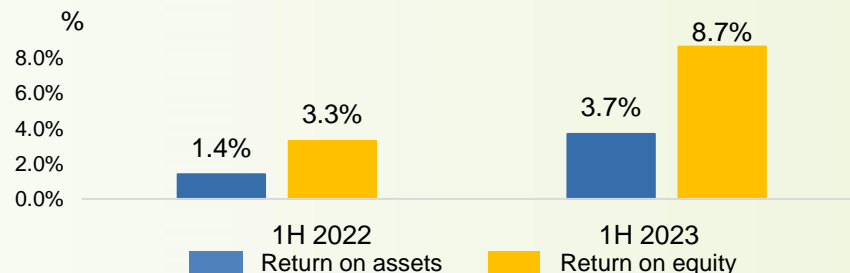


Capital Structure and Return Rate

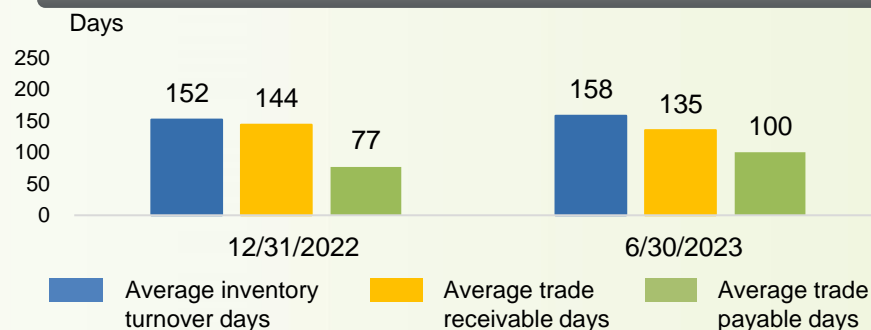
Capital Structure

	6/30/2023	12/31/2022
RMB mm		
Cash & cash equivalents	838	778
Current assets	4,928	4,613
Total assets	8,145	7,801
Short-term debt	588	569
Long-term debt	2,553	2,546
Total liabilities	4,697	4,446
Shareholders' equity	3,412	3,323
Minority interest	37	32
Total equity	3,449	3,355

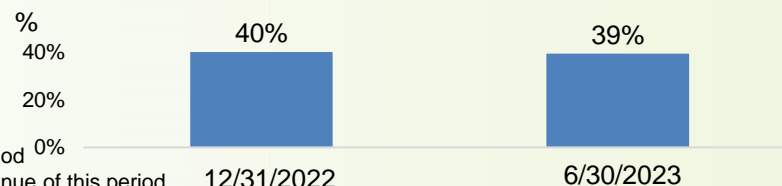
Return on Assets & Return on Equity¹



Turnover Days for Current Assets²



Gearing Ratio: Net Debt/Total Capital³

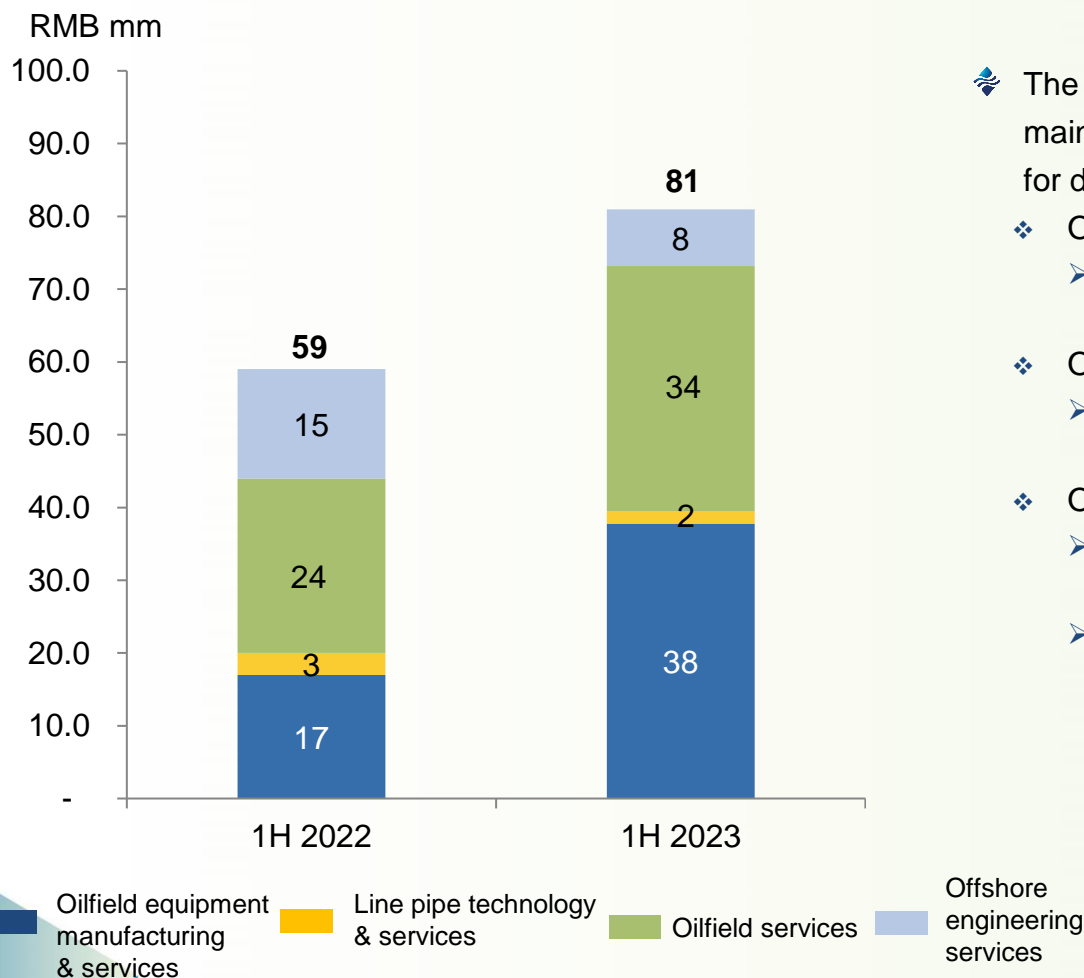


Note:

- 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 Projects in 1H2023

- ❖ The Company strictly controls capex except maintenance requirement to ensure the cash flow for daily operation
- ❖ Oilfield services
 - Maintenance & upgrading Capex for existing rigs
- ❖ Offshore engineering Services
 - Maintenance and adaptive modification and elevation of Hilong 106
- ❖ Oilfield equipment manufacturing & services
 - Newly renovate a domestic drill pipe assembly line
 - Automation and informationization of other assembly lines

Business Outlook



Focusing on “Customer Demand” and “Technological Innovation” to Achieve Further Development

Oilfield Equipment Manufacturing & Services

Overseas Markets:

- ❖ Continue to vigorously promote high value-added products of drilling tools to high-end customers, and strengthen the research and development of high-end drilling tool products
- ❖ Actively follow up orders for PDO bends and line pipes in the Middle East and other places with development of the certification of various qualifications
- ❖ Stabilize businesses in the Americas and other places, and gradually promote high-end products such as HLNST special screw heads; continue to develop high-end markets, such as the Brazilian deep-water market and offshore blocks invested by Mexican international companies, etc.
- ❖ Design products such as ultra-high-strength U165, DPR corrosion-resistant and fatigue-resistant drilling tools or system, V150 deep-water drilling tools, etc.

Domestic Market:

- ❖ Continue to work closely with leading prestigious domestic customers
- ❖ Actively follow up on existing business opportunities while vigorously developing differentiated markets
- ❖ Provide customers with a variety of high-tech drilling tools that meet their differentiated requirements and are suitable for unconventional oil and gas resources exploration

Technology R&D:

- ❖ Accelerate the automation and intelligentization of equipment and production lines as well as the introduction of technology
- ❖ Design and develop of ultra-high-strength, corrosion-resistant and fatigue-resistant drilling tool systems and HLNST special screw head, HL130S, HL135MS drilling pipes, RFID electronic labeling of drilling pipes, and intelligent drilling pipes, tec.

Oilfield Services

Business Development:

- ❖ Complete drilling & workover projects on hand in existing markets such as Nigeria, Ecuador, Iraq and Oman, and continue to strive for new contracts
- ❖ Strive to realize the breakthrough of “existing market with new business”, and develop various types of businesses, including drilling turnkey, oilfield environmental protection
- ❖ Continue to develop “new markets and new businesses” in the UAE, Libya, Malaysia, Belarus, etc.; complete the registration of the Libyan company which will further facilitate the development of the African market
- ❖ Continue to explore drilling turnkey/ integrated project opportunities in the Middle East
- ❖ Accelerate digital transformation; strengthen the promotion of drilling & workover rig automation and MPD drilling business; increase the construction and promotion of trade platforms

Technology R&D:

- ❖ Promote the R&D of oilfield production enhancement, especially nanofluids technology
- ❖ Continue to carry out R&D and promotion of oilfield environmental protection business

Offshore Engineering Services

Business Development:

- ❖ Focus on the of projects contract signing, bid winning and the execution of the newly signed projects in 2H2023
- ❖ Put more efforts to market development, and accelerate the layout and construction of markets in the Middle East and Southeast Asia
- ❖ Expand offshore oil and gas treatment business and strengthen offshore engineering project management
- ❖ Integrate resources and gradually realize the integration of the company's EPCI integration business awareness and capabilities
- ❖ Develop “Four Centers” of offshore engineering to form an integrated and coordinated internal management capability
- ❖ Focusing on offshore installation and ship leasing businesses, following the route of innovative R&D and international development

Technology R&D:

- ❖ In the second half of the year, promote the digital transformation of the company and carry out a number of qualifications in 2H2023
- ❖ Continue to carry out the research and application of several R&D projects

Q & A